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Warehouses: Making Do With What You've Got

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● Canned Fruits and Vegetables: The

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Military Market serving the military retail system

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Military Market
survey

Warehouses:
Are Exchange Managers Satisfied With Them?

WAREHOUSES REMAIN a continuing source of anxiety, worry and perhaps even embarrassment for more than a few of the 20 exchange managers contacted for this month's survey. Twelve store managers felt that civilian warehouse operations were more advanced than those of the exchange systems, with only three managers believing the opposite to be true. Twelve exchange managers also believed their warehouse facilities offered them inadequate space.

Judging from the high number of responses received, such as, "no comment," "I'd rather not say," and "I'd prefer not to answer that question," a certain amount of discomfort when discussing warehouses is evident among exchange managers. Many voiced concerns about space, or rather, the lack of space. Comments about mechanical operations and labor-intensive procedures that they viewed as antiquated and backward were also heard.

Some weren't even excited about the prospects for automation arriving to their stores.

"All the fancy machines and computers in the world are not much good to you if you don't have the space to store the items in," is the way one AAFES store manager described the situation.

Despite a certain degree of cynicism, however, there was also a lot of optimism in evidence. "In the short time I've been here, we've made great strides in our warehouse operation," said a NAVRESSO exchange manager.

When asked to contrast the way warehousing is conducted today vs. 10 years ago, there was little disagreement among exchange managers that the situation has improved. "Everything was just haphazardly thrown in the back room — just one giant walk-through," explains one NAVRESSO exchange manager.

Said another NAVRESSO manager: "Today there are computers and hand-held scanning devices and all sorts of gee-whiz gizmos coming down the pike." Clearly, this is one exchange manager optimistic about the future of warehousing.

The exchange headquarters are offering the stores more guidance as well. One AAFES manager, describing the headquarters guidance he receives, told MILITARY MARKET, "We have a new regional chief stressing the importance of knowing what's in the warehouse. We're also putting more emphasis on who's responsible for what and on neatness in the warehouse."

"They tell me the stockroom should look just like the store," said another AAFES store manager. "Each girl should be as proud of her department on the store floor as the the individual stockroom department. This manager explained that she personally strives to make the two elements as near to identical as possible.

One point came across very clearly from this month's survey. Exchange managers may not be totally satisfied with their warehouse space, but they recognize the need to check on the warehouse daily, with 13 managers reporting that visiting the warehouse and checking on things is a very high priority for them. "I'm all over this store in a given day, and that surely includes my stockroom," says another AAFES exchange manager.

Many store managers eagerly anticipate further refinements for scanning and technologies that they believe will automate their warehouses more fully in the future. "I guess the bottom line is money, but things will get better. They have to," says one. **MM**

1 — PLEASE DESCRIBE YOUR WAREHOUSE OPERATIONS (e.g., ONE CENTRALIZED/REGIONAL WAREHOUSE, WAREHOUSE AS PART OF/ATTACHED TO THE STORE, AN INDEPENDENT WAREHOUSE, ETC.)? (See story.)

2 — WHAT WOULD YOU LIKE TO SEE CHANGED ABOUT YOUR PRESENT WAREHOUSE OPERATIONS? (See story.)

3 — DO YOU THINK CIVILIAN WAREHOUSE OPERATIONS ARE MORE ADVANCED THAN THOSE IN THE RESALE SYSTEMS?
Yes — 12. No — 3. Don't know — 3. No comment — 2.

4 — AS A STORE MANAGER, HOW MUCH EMPHASIS DO YOU PLACE ON YOUR WAREHOUSE OPERATIONS? HOW OFTEN DO YOU PERSONALLY VISIT THE WAREHOUSE?
Daily — 13. More than once a day — 5. Less than once a day — 2.

5 — DO YOU GET ANY HEADQUARTERS GUIDANCE CONCERNING YOUR WAREHOUSE OPERATIONS? IF SO, WHAT HAVE THEY RECENTLY PROPOSED CONCERNING YOUR SPECIFIC WAREHOUSE FACILITIES? (e.g., STANDARDIZED SET, MANADATORIES, ETC.) (See story.)

6 — IS THE SIZE OF YOUR WAREHOUSE FACILITIES ADEQUATE TO HANDLE YOUR REQUIREMENTS? IF NOT, ARE THERE ANY PLANS FOR EXPANSION?
Adequate size — 7. Inadequate size — 12. No comment — 1.

7 — WHAT SORT OF AUTOMATION IS COMING ON-LINE FOR YOUR WAREHOUSE IN THE FUTURE, IF ANY? (See story.)

8 — SOME PEOPLE IN THE EXCHANGE SYSTEMS BELIEVE THAT EXCHANGE WAREHOUSING IS ANTIQUATED AND BACKWARD. DO YOU AGREE OR DISAGREE WITH THIS?
Agree — 10. Disagree — 5. No comment — 5.

9 — WHAT MAJOR CHANGES CAN YOU IDENTIFY IN THE WAY YOU RUN YOUR WAREHOUSE NOW, CONTRASTED WITH 10 YEARS AGO? (See story.)

Distribution has been a thorn in the side of the resale systems for a long time, with warehouses usually relegated to vintage World War II (or older) facilities. Automation and mechanization are beginning to creep into the picture, however, and change the face of exchange and commissary warehousing.

By JAY BLUCHER
Associate Editor

ASK THE PROVERBIAL MAN on the street about warehousing, and you'll probably get answers sprinkled with images of forklifts, pallets, conveyor belts and dimly lit buildings located on a waterfront — not exactly the most exotic subjects. While warehousing certainly is these things, MILITARY MARKET also learned there's a lot more to warehousing than just receiving and storing merchandise until it's needed by the exchanges and commissaries.

The degree of efficiency a resale system brings to its warehouse operations closely parallels the quality of service it provides its patrons. "Show me a good warehouse operation, and I'll show you a good exchange," is the way Dave Painter, distribution center manager for 22 separate warehouses at AAFES' Atlanta Distribution Region at Fort Gillem, Ga., describes it.

Rosalie La Fleur, chief of the ADR, describes three major elements in the total distribution picture. First, AAFES Headquarters in Dallas controls the item selection, vendor contracts, stock assortment and pricing of the merchandise. Then the warehouse (also called DC for distribution center, or GMDA for general merchandise distribution activity) has the responsibility for controlling the inventory and replenishing the stock reserves as they are shippped from warehouse to store.

Zeroing in on the warehouse's specific role, La Fleur says that, "It's our responsibility to receive it, store it and make timely distribution to the individual stores." Finally, and perhaps most important, the exchange region has the ultimate responsibility to sell the merchandise.

In order for the region to do a good job of selling that merchandise, it's got to be on the shelves. That's why in both commissaries and exchanges alike, all of the services are putting a great deal of emphasis into upgrading existing warehouse facilities, improving their use of limited space, bringing automation to their operations and fine-tuning the way management makes important decisions concerning warehouse inventories and overhead. La Fleur calls it, "making the best of a less-than-ideal situation."

"Over 50 percent of what we do in this warehouse business is documentation and overhead," she explains. Like other distribution managers from all the services, La Fleur longs for the day when the warehouse function is free of its paperwork shackle. "My goal is to someday operate a totally paperless warehouse."

To get a handle on the enormousness of the paper chase, La Fleur tells MILITARY MARKET that a 45-foot trailer

SPARE PARTS ARE carefully loaded in cartons at Fort Gillem, Ga., before being air-shipped to Europe.

delivering to a main exchange will typically carry between 400 and 1,000 cases of merchandise. She says, "You're looking at probably 50 to 100 or more separate requisitions on that haul alone." When the driver begins to unload, he has a stack of papers between five and 12 inches high of branch truckload lists, which list the contents of his haul, and each one of them has to get a case count and signature. Then the poor store has to verify each load list and receive by requisition."

In just one example of ongoing efforts to curtail the paper shuffle, AAFES is testing the use of a master facility load list in its Golden Gate, Alamo and Southeastern exchange regions, to replace the traditional 12-inch stack of branch truckload lists. "It's worked so well, we'll soon be expanding it to other regions," says La Fleur.

The REAL Thing

But the "real" solution AAFES is looking forward to goes by the acronym REAL — the realignment of AAFES' logistics, a recently approved plan by AAFES' board of directors to spend $183 million over the next seven years to completely modernize its warehouse facilities. Project REAL represents an ambitious and sweeping effort to improve AAFES' distribution system. The difficult decision to replace rather than repair, was deemed necessary by AAFES officials when estimates to continue operating from its antiquated warehouses ran as high as $115 million from 1984 until 1989.

"It's a case of spending a little down the road to avert paying a lot more down the road," in the words of one AAFES official. Painter tells MILITARY MARKET that, "Just trying to keep up the roof on some of these old warehouses is a full-time job." He points out that he was billed more than $45,000 last year alone to repair the leaky roofs on some of the warehouse relics at Fort Gillem, Ga.

The centerpiece of Project REAL is the planned construction of a new East Coast facility, which will take over many of the functions presently done by the Atlanta Distribution Region. More important, it will be an automated system that does not rely so heavily on human labor and manual operations, unfortunately the *modus operandi* at Gillem.

The down side of the plan, however, is that some jobs at Gillem could be affected because of the automation. Preliminary estimates of the potential AAFES-wide jobs in jeopardy due to REAL have ranged as high as 1,300. La Fleur points out that AAFES will "do as much as it possibly can to see that these folks latch on with other jobs within AAFES. We take care of our own."

"It should be easy to see why we want to go automated," says La Fleur, while touring the warehouses at Gillem. "Oh, we have a semiautomated warehouse, but then in some of our older facilities all we have in terms of automation is a forklift, or little people pulling pallet jacks around. This is still largely a distribution system relying on manual operations."

One sticking point to the whole scheme is the site for the new East Coast facility, which has not been determined yet, pending congressional approval and go-ahead for the AAFES proposal. "Maybe in November there will be some word. We still don't have the permission to proceed with project REAL yet. I'll be the second to know," she says.

New construction is planned under REAL for AAFES' warehouse facilities at Fort Worth, Texas, and Oakland, Calif. The warehouse facilities in Dayton, Ohio, and Denver, Colo., will be upgraded beginning in 1987. In addition, the warehouses at Philadelphia, Richmond, San Antonio, and Fort Lewis, Wash., are scheduled to begin closing in 1986.

How AAFES Does It

Until Project Real gets off the ground, however, the hub of AAFES' distribution efforts will continue to be Fort Gillem. The ADR is actually responsible for the *total worldwide* distribution network and is the umbrella term for the merger between AAFES' two earlier regions in June 1984 — its Eastern and Western distribution regions. The over-arching mission of the ADR is to efficiently manage the total ADR inventory of more than $183.5 million — a big job.

"We can truly say we do a little bit of everything from here," beams La Fleur. "For certain commodities, we service more than 60 percent of all ConUS merchandise that is sold in AAFES exchanges."

All of the merchandise handled in the 22 separate warehouses of Gillem is routed to one central building, called "510 Shipping" for final shipment. This requires the daily movement of merchandise from one building to the next — a tedious and time-consuming task. Shuttle carts and special tractors called "hustlers" can be seen at all hours of the day quietly making trips deep into the bowels of the warehouses. They emerge in the daylight for scant seconds, only to return into yet another warehouse and deposit their load. More than 1,100 such moves are accomplished on an average day of distribution at Fort Gillem.

In 1983 the ADR shipped in excess of $900 million worth of merchandise from Atlanta. "Our total combined issues from all of our facilities will go in excess of $1.8 billion," points out La Fleur. Systemwide, Gillem warehouses approximately 26,000 warehouse stock-keeping units (WSKUs in the lingo); Oakland carries about 21,000, and Fort Worth averages between 12,000 and 13,000 WSKUs. "All the rest of our facilities have what we call 'close support warehouses' carrying between 4,000 and 6,000 line items," she says.

The Store as Customer

From the exchange's perspective, the ball gets rolling when the individual stores determine the the merchandise they need from a checklist. Upon receipt of that poll into the mainframe computer at AAFES Headquarters in Dallas, it is electronically routed to print terminals that create requisitions for the supporting warehouse to ship the merchandise to the requesting facility.

While the computerized system is automatically generating the requisition for additional merchandise, another computer program is automatically deleting the warehouse balance and updating the inventory. The following cycle for review of that merchandise creates a requirement report, which in turn generates a purchase order to the vendor, who, in turn, ships it to the warehouse for replenishment.

"The individual stock levels in each warehouse are monitored by the inventory control branch," says La Fleur, "and we are constantly tied in to the mainframe computer in Dallas."

A large portion of the Atlanta operation revolves around the transport of seavan containers, with more than 6,570 containers shipped worldwide in FY 1983. "We transport most of our containers to Savannah, Ga.," explains La Fleur. (Atlanta is not a port.) "One of the driving factors in our getting an East Coast facility under REAL is the drayage costs of having to pull these containers to port. Most everything we ship goes by sea, with the exception of records and automobile spare parts for Europe, which are shipped via air freight."

(The worldwide distribution of phonograph records, spare parts destined for Europe and AAFES' diamond program are all specialized warehouse operations based at Gillem.)

"In some areas, we ship fashion by air," explains La Fleur. "We ship records overland to Oakland and then put them into final distribution for the Far East. We service Germany on a lot of commodities out of Gillem. In addition, 23 percent of the merchandise volume destined for AAFES' European exchanges is also shipped out of Atlanta [via Savannah]. For some specialized commodities, such as ladies' hose, watches, ladies' foundation garments and men's shirts, we service worldwide out of Atlanta."

Service to ConUS exchanges relies on the 18-wheeler, with trucks pulling out regularly from the loading docks of Gillem, filled with merchandise. Trucks en route directly from Atlanta to the exchange they service are called "short-hauls."

Long hauls make use of "sleeper teams" in which two drivers make the trip, or else meet a switchpoint driver at a midway point in the delivery route. For example, the Fort Lewis, Wash., exchange, which is serviced by the Oakland warehouse, will use a switchpoint driver at Medford, Ore., to complete the haul. "The largest sleeper team operation is going out of Atlanta," says La Fleur.

The average dispatch from the Fort Gillem facility is more than 1,150 miles for a typical round-trip haul to an exchange. Outlying warehouses servicing ConUS exchanges average 420 miles per trip. In FY '83, more than 6,447 trailer loads depart from the Atlanta facility to various stateside exchanges, a 4 percent increase over FY '82 figures. More than 5,000 vehicles operated by AAFES traveled more than 71 million miles to service the exchanges last year, equivalent to 148 round trips to the moon.

While the majority of these trucks are commercial carriers, AAFES does have its own organic fleet of trucks, trailers and vans, complete with the AAFES logo on the cab (*see cover for logo*). "We wanted to be low-key with the logo," says the AAFES distribution chief, "but we were running into a problem with some states requiring our drivers to stop and pay road taxes [which AAFES is exempt from] and the logo lets them know we are a government vehicle ... and they better not mess with a government vehicle."

JOSEPH GRAF, AAFES' gemologist at the specialized diamonds activity at Fort Gillem, Ga., checks each and every diamond for quality and color before sale.

'Clean Inventory'

It probably comes as no surprise that the goal of any warehouse operation is to keep the exchange (or exchanges) it supports in a good in-stock position. An NIS (not-in-stock) is truly a dirty word to these folks. La Fleur says, "I have found that about an 83 percent to 85 percent overall in-stock rate in the warehouses will yield pretty close to a 90 percent to 97 percent in-stock rate at the exchange level."

While one might expect the warehouse and exchange in-stock levels to be comparable, experience has taught her that exceeding the 85 percent in-stock rate usually results in her warehouses being in an overstocked position. For a warehouse manager, that's a condition they try their best to avoid. Considering the results of the recent LSAO report on the exchange systems' in-stock rates, her methods must be working, as AAFES exchanges registered the lowest NIS rate of all the systems with a sparkling 8.9 percent NIS rate. In the jargon of the business, La Fleur proudly characterizes her ADR inventory as, "clean . . . very clean."

As if keeping all of AAFES' ConUS exchanges in stock was not a large enough mission, the ADR also handles AAFES' overseas distribution, with all its accompanying lag times, feeder lines and assorted headaches. Transportation time across the Atlantic to AAFES exchanges in Germany, Spain and the United Kingdom all average 26 days, with Greece requiring 29 days. Turkey and Italy average 36 days of seavan transit time from the ConUS port to the receiving facility.

La Fleur recalls earlier times in AAFES, "when in order to get merchandise into Turkey AAFES operated on the theory: 'Three months in the warehouse, three months in the water, and one in the store.' "

In addition, all of Panama and the Pacific are serviced out of the Oakland distribution center. The longest AAFES pipeline is to the Philippines where seavan transportation averages about 39 days. Korea and Okinawa average between 30 and 35 days; Japan, 27 days; Guam, 25 days; and Panama takes about 26 days from requisition print date until the container is unloaded at port.

A Peek at NAVRESSO

AAFES is not alone in its efforts to upgrade its warehousing and distribution system. "All of our warehouses are making a concerted effort to make more efficient use of the limited space available through increasing use of automation, conveyors and productivity enhancements," says Robert Byrd, NAVRESSO's director of distribution management.

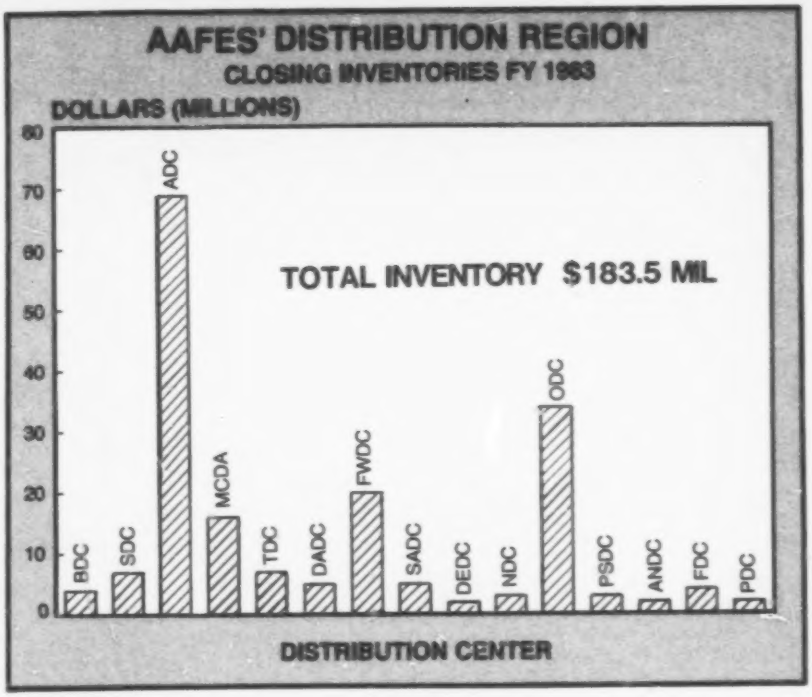
NAVRESSO is moving toward full implementation of bar coding for use in its warehouses. Byrd explains to MILITARY MARKET that the specific bar code application is called "three of nine," in warehouse lingo. Three of nine is simply a more specialized system of bar coding more applicable to the warehouse. He explains that in the warehouse environment, with its inherent high volumes of product movement, it is necessary to use an "alpha-numeric bar coding adaptation."

NAVRESSO is also making increased use of hand-held data entry devices, also known as data collectors, to better control its inventory. "These hand-held devices read the three-of-nine bar code application in both the Navy's commissaries and exchanges."

Byrd also points out the tremendous difference the opening of NAVRESSO's Fashion Distribution Center in Bayonne, N.J., has made in NAVRESSO's distribution operations. "For the first nine months of 1984, we processed just under 2 million garments valued at more than $20.5 million — at a cost per garment of just 19 cents."

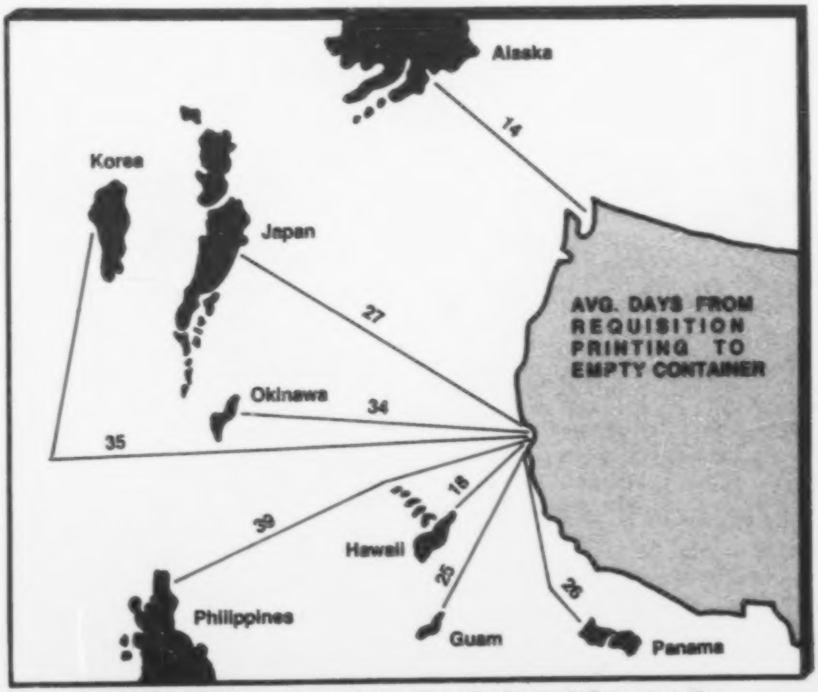
Byrd also points out the advantages to NAVRESSO of having its FDC located within the New York commercial-free zone, a 100-mile-wide concentric ring around New York city in which merchandise can be delivered to both resale and retail warehouses free of inbound transportation charges.

Byrd says he is especially proud of the Navy's newer narrow-aisle installations in which the warehouse is laid out with four- to five-foot-wide aisles rather than the traditional eight-foot-wide aisles. "There's room for only one forklift with a boom that moves from side to side to pick up the merchandise. There's no need to waste all the space for the forklifts to turn around in, and no need to make a



LEGEND:

BDC - Bellwood DC
SDC - Specialized (Records & Diamonds)
ADC - Atlanta DC
MCDA - Military Clothing
TDC - Tacony DC
DADC - Dayton DC
FWDC - Fort Worth DC
SADC - San Antonio DC
DEDC - Denver DC
NDC - Norton DC
ODC - Oakland DC
PSDC - Puget Sound DC
ANDC - Anchorage DC
FDC - Fashion Distribution Center
PDC - Panama DC

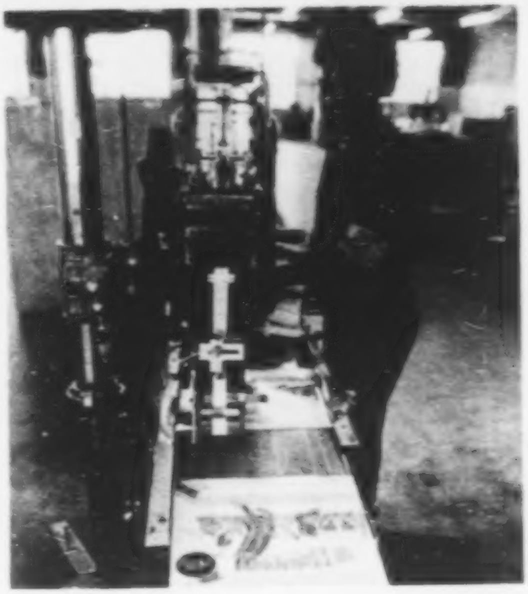


AAFES' Pacific Pipeline: the Oakland Connection

AAFES' DISTRIBUTION REGION

CONTAINERS SHIPPED FY 1983

ALASKA	390
GERMANY	2,005
GREECE	68
PANAMA	542
ITALY	145
UNITED KINGDOM	297
PUERTO RICO	358
SPAIN	99
TURKEY	105
KOREA	490
JAPAN	184
OKINAWA	473
PHILIPPINES	238
HAWAII	1,010
GUAM	172
TOTAL	**6,576**



THE PRICING of both records and cassettes occurs in the warehouse before shipping.

right or left turn to go into the rack. Every bit of space we can save helps."

There has also been some consolidation of NAVRESSO warehouses themselves. For example, the Jacksonville warehouse took over the distribution efforts of both Charleston, S.C., and Orlando, Fla., when these two warehouses were closed recently. Consolidation, while paring the warehouse budget, also puts added strain on existing warehouse facilities. "Whenever one warehouse closes and another takes over its support, we have to increase the depth of the quantities carried."

Since the Navy is by nature oriented toward the coasts, its warehouse operations are likewise. NAVRESSO officials believe consolidation allows one large warehouse to support several exchanges better than two or three smaller warehouses at each location could. For example, the Davisonville, R.I., distribution center supports the exchanges at New London, Conn., and Newport, R.I., as well as Navy exchanges in Upstate New York and Maine. Other major warehouses support inland locations with independent distribution centers such as at NAVRESSO's Great Lakes, Ill., exchange.

Decentralized Warehousing

In the opposite way that both AAFES and NAVRESSO warehouse their stores, both Marine Corps' exchanges and AFCOMS' warehousing operations stress decentralization and independent warehousing. Carroll Arred, commissary management specialist for AFCOMS tells MILITARY MARKET, "We don't really have any giant consolidated warehouses which serve several stores. It's all pretty much up to the store managers the way they warehouse their inventory. Usually, the warehouse for our commissaries is either attached directly to the store, or else located on the same base."

Arred explains that one area in which AFCOMS has been stressing uniformity between its stores is in devising a "standard set" for each warehouse. The goal is to have all of its warehouses set up in a similar manner, although Arred says the individual store mangers will continue to have considerable leeway in how they set their warehouses.

Arred also foresees AFCOMS' current test of daily direct-store delivery to some of its stores changing the current warehousing methods. "We may not even need any warehousing in the future, if certain stores are serviced daily. We're waiting to more fully evaluate the test, however, before we make any final decisions about warehousing changes. First thing, we have to get scanning into all of our stores."

The Marine Corps exchanges stress individual warehousing at the store level as well. "In fact, it's a requirement in all of our future construction that the warehouse be attached directly to the exchange," says Irv Feinberg, operations officer for the Marine Corps Exchange Service Branch.

Feinberg also tells MILITARY MARKET that in certain basic areas, such as H&BA, the Marine Corps is looking to "automate picking" in its warehouses. Like AFCOMS, the Marines are attempting to set up their warehouses in a more standardized layout that doesn't vary quite as much from store to store.

Marine Corps exchanges and commissaries have not adopted any bar coding systems for use in the warehouses yet, pending the arrival of scanning into their exchanges and commissaries. But like most everything in the Marine Corps exchanges, the operative word is decentralized. "It's still pretty much up to the individual store mangers," says Harold Watson, Marine Corps exchange merchandise systems manager.

Like NAVRESSO, the Marines' warehouses use an alpha-numeric system to readily identify location and type of product. He also sees the Marines' current three-pronged Management Information System of personnel, accounting and merchandising becoming more automated and computerized in the future. "Since 1980 we have been actively installing the merchandising leg of this system into all of our exchanges with NCR equipment and CPUs in each exchange. The CRT is becoming standard fare in our system."

Under its present system, the cashier must enter into the register a seven-digit code number for each item purchased. "I admit, it's time consuming, but for right now, we have to make do with what we've got."

That's a comment MILITARY MARKET heard more than once from more than one resale worker.

MM

Bed, Bath & Linen:

In Search of the Well-Dressed Bed

New bed 'n' bath designs for fall are taking their cues from the emerging menswear look in women's fashions, with lots of stripes, plaids, flannels and geometric prints.

By JAY BLUCHER
Associate Editor

IT'S NOT ENOUGH ANYMORE to have a fashionable wardrobe straight from *Vogue* or *GQ*, or an impeccably decorated loft inspired by the pages of *Architectural Digest*, or even to drive the latest sports car from Italy. For in today's modern, instant-gratification world, one can add to the list of absolute necessities of life the need to have a well-dressed bed and bath.

Both designers and bed and bath marketers have been quick to pounce on this desire and are bringing many of the trends and marketing techniques that define the fashion apparel market into the domain of bed and bath. "The market is following the fashion trends, no question about it . . . more than ever before," says Jane Wallace, director of communications for the New York-based National Bath, Bed and Linen Association.

"There's a real narrowing of the gap; more interchange between the two categories," she says. "Our industry's products are now merchandised *exactly* as if they were apparel. When all there was were white, yellow or pink sheets, the presentation did not matter so much, but with the emphasis on fashion and *color coordination* between the bed and bath, it's a whole new direction."

The popularity of the menswear look for women's fall fashions is cropping up in some of the more popular bedroom designs. This apparel influence is translated by the bedroom crowd into lots of herringbones, stripes, houndstooth, geometric patterns, and even oxford cloth button-down sheets, a masculine influence if there ever was one. "There's an emphasis on fashion; to achieve a certain look, a style all your own — very much like clothing," says Wallace.

But while the menswear influence is an undeniable trend in the current crop of BB&L offerings, Bob Hamilton, director of advertising for Fieldcrest, is one person who stresses caution. "Stores are beginning to emphasize this aspect too much. They are flooding a category with products whose appeal is not very broad-based. You cannot always assume that what is right for apparel will be necessarily right for the bedroom."

He predicts there will be strong consumer demand for softer, more romantic styling as well, with many more florals and brighter colors making their mark. "The bedroom is not the place where the average consumer is going to jump from trend to trend," he says. "Our research is showing that the average bedroom only changes every three to five years. At a cost of between $200 and $300 to make over the room, changes are not going to happen that frequently."

He points out that one of the basic decorative strategies is for the homemaker "to play off the wallpaper and rug in the room to create a pleasing motif." For this reason, he believes that wear, quality and longevity of home furnishings are just as important consumer considerations as fashion.

'Know Your Market'

Hamilton sees a close correlation between life style and the bedroom design. "You can title these whatever you like, but we have found four distinct subcategories in consumer preferences. The first is the romantic look, with lots of lace and pastels; the collector, characterized by a cottage, countrified look; the classicist, such as a tailored menswear blue-blazer look; and finally, the adventurous look, with new-wave prints, wild geometric designs and vivid color schemes."

Fieldcrest's research shows that the romantic look enjoys the strongest across-the-board appeal among consumers, with a 44 percent approval rating; collector has 36 percent; classicist, 14 percent; and adventurous, 6 percent.

Hamilton fears that many retailers and the exchange systems could make the mistake of overemphasizing the fashion aspect in BB&L. He also

believes that because of the emphasis on mail-order catalogs for bed, bath and linen products, "the wild, adventurous category is often the only one offered." He says that because of internal needs for things that "photograph well," the fashion element is often overstated.

His advice to both retailers and military exchanges is simple: "Analyze your market, know your customer. Don't let the guys with the glossy books tell you what to carry. Know your market."

'Fashion Umbrella'

In that regard, MILITARY MARKET talked with William Howk, AAFES' senior buyer for hardlines and domestics, to gauge his perceptions of the military BB&L consumer. "The mills are responding to a consumer desire for all-cotton towels, with virtually every towel we sell now being the 100 percent-cotton variety.

Howk sees renewed consumer interest in quality, with higher 180-thread-count sheets surpassing the 120- and 140-count varieties. Howk believes AAFES customers are searching for greater quality and are willing to pay more for it. He also sees continuing demand for designer labels in the exchanges. [Currently, AAFES carries two designer lines from Bill Blass — Simply Tulips and Silk Shantung] "We will be taking a hard look at many of the designer labels, but we also don't want to get away from the value-priced aspect of our market."

Like all the exchange systems, AAFES is expected to please all aspects of its diversified market, from PFC to general to retiree. "Basic floral designs continue to be our most popular offering, followed closely by geometric patterns, with solid colors showing some improvement," says Howk.

AAFES is striving to achieve a good balance in its offerings with several price points represented within each category of merchandise. "There's no doubt that patrons are paying more attention to quality and value," says Howk.

John Finneran, military sales manager for fashion-savvy Westpoint Pepperell, strongly endorses having several price points represented in the exchange. He calls it a "fashion umbrella," where shoppers can browse top-end, mid-value and budget merchandise in the bed and bath market. "The exchange *can be* both the K mart and the Saks Fifth Avenue, but it must *point out* value through its merchandising.

He recommends that this be accomplished not by increasing SKUs, but rather by more imaginatively using those SKUs currently in stock to highlight good values at significant savings to the patron. "There will always be a general or admiral desiring the top-of-the-line as well as the PFC searching for good value at a low price. By offering both, you are accenting the value inherent in each," says Finneran.

By taking such a tack, the exchange systems racked up more than $99.6 million in sales of linens and domestics worldwide in CY 1983, with more than $68.5 million sold 'domestically' and $31.2 million sold overseas.

Big Retail Numbers

Taking a bird's eye-view of the retail linens and domestics market, there are some *big numbers* to digest. For example, the bath towels market currently rakes in $1.3 billion; bath accessories, $230 million; shower curtains, $165 million; bed linens, $1.3 billion; blankets, $682 million; comforters, $594 million; and bed pillows, $270 million, according to *HFD* magazine and statistics compiled by Janet Kajenski, staff member at the Bath, Bed & Linen Association. *(See chart below.)*

Kajenski also points out another growing consumer trend in flannel sheets, which are gaining popularity each year. "At first there were only plain colors, but now we're seeing all sorts of colors and patterns," she says. Flannel sheets sold about $100 million at the retail level in 1982, and they are estimated to top $140 million in 1984. "Once, they were thought of as a specialty item, such as waterbed sheets, but they are now firmly entrenched in the consumer's mind."

Speaking of waterbeds, more than 2.5 million beds were sold in retail outlets in 1983, a 23 percent increase over the previous year's totals. Waterbed sales are expected to surge to more than $2.6 billion at the retail level in 1984, and as one analyst points out, "All those waterbed are going to need waterbed sheets and accessories as well."

Analysts predict continued strong growth for this category, forecasting more than 3 million will be sold in 1984 — figures worthy of some consideration from the exchanges, given the high number of young soldiers in its legion of shoppers.

A spokesman for the California-based Waterbed Association says, "Waterbeds have moved from their counterculture beginnings to become a very mainstream purchase — they're a very real part of Americana." MM

Size of the Retail Market, 1982

	Blankets	Bath towels	Bath accessories	Shower curtains	Bed linens	Comforters
Market Size	$682	$1.3 billion	$230	$165	$1.3 billion	$594
Department	30%	27%	22%	35%	28%	34%
Discount	30%	20%	34%	37%	22%	24%
Sears/Penney's/Ward	28%	20%	20%	22%	32%	26%
Specialty	7%	32%	19%	4%	17%	14%
Other	5%	1%	5%	2%	1%	2%

SOURCE: *HFD* magazine, May 16, 1983, and Bath, Bed and Linen Association statistics, 1983. Dollars in millions, except as noted.

Military Market index

Commissaries

		JULY			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$141,186	$145,382	-2.89	$1,050,703	$1,019,500	+3.06
	OVERSEAS	28,483	29,860	-4.61	207,815	204,026	+1.86
	TOTAL	**169,669**	**175,242**	**-3.18**	**1,258,518**	**1,223,526**	**+2.86**
Army	CONUS	107,835	108,570	-0.68	742,560	727,742	+2.04
	OVERSEAS	34,230	33,285	+2.84	236,040	233,059	+1.28
	TOTAL	**142,065**	**141,855**	**+0.15**	**978,600**	**960,801**	**+1.85**
Navy	CONUS	53,673	50,292	+6.72	420,056	380,471	+10.40
	OVERSEAS	6,460	5,906	+9.38	49,392	43,608	+13.26
	TOTAL	**60,133**	**56,196**	**+7.00**	**469,448**	**424,079**	**+10.70**
Marines	CONUS	12,607	11,775	+7.07	91,106	79,588	+14.47
	OVERSEAS	219	210	+4.29	1,444	1,341	+7.68
	TOTAL	**12,826**	**11,985**	**+7.02**	**92,550**	**80,929**	**+14.36**
Coast Guard	CONUS	210	321	-34.56	1,612	1,943	-17.04
	OVERSEAS	310	142	+118.31	1,902	1,169	+62.70
	TOTAL	**520**	**463**	**+12.31**	**3,514**	**3,112**	**+12.92**
All Commissaries	CONUS	315,511	316,340	-0.26	2,306,037	2,209,244	+4.38
	OVERSEAS	69,702	69,403	+0.43	496,593	483,203	+2.77
	TOTAL	**$385,213**	**$385,743**	**-0.14**	**$2,802,630**	**$2,692,447**	**+4.09**
Grocery Stores	U.S.[1]	**$21.993 bil.**	**$21.731 bil.**	+1.21	**$147.958 bil.**	**$139.266 bil.**	+6.24

Exchanges

		JULY			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
AAFES	CONUS	$231,364	$232,120	-0.33	$1,591,159	$1,561,190	+1.92
	OVERSEAS	154,476	149,644	+3.23	1,083,235	1,063,700	+1.84
	TOTAL	**385,840**	**381,764**	**+1.07**	**2,674,394**	**2,624,890**	**+1.89**
Navy	CONUS[2]	83,317	81,967	+1.65	593,272	575,851	+3.03
	OVERSEAS[2]	37,414	34,681	+7.88	252,288	247,183	+2.07
	TOTAL[2]	**120,731**	**116,648**	**+3.50**	**845,560**	**823,034**	**+2.74**
Marines	CONUS	27,199	27,977	-2.78	190,980	190,354	+0.33
	OVERSEAS	4,952	4,626	+7.05	33,269	33,318	-0.15
	TOTAL	**32,151**	**32,603**	**-1.39**	**224,249**	**223,672**	**+0.26**
Coast Guard	CONUS[3]	6,136	6,073	+1.04	42,438	41,298	+2.76
	OVERSEAS[3]	836	828	+0.97	5,367	5,631	-4.69
	TOTAL[3]	**6,972**	**6,901**	**+1.03**	**47,805**	**46,929**	**+1.87**
Mail Order	CONUS[4]	995	971	+2.47	8,861	8,164	+8.54
	OVERSEAS[4]	3,962	3,353	+18.16	27,661	26,650	+3.79
	TOTAL[4]	**4,957**	**4,324**	**+14.64**	**36,522**	**34,814**	**+4.91**
All Exchanges	CONUS	349,011	349,108	-0.03	2,426,710	2,376,857	+2.10
	OVERSEAS	201,640	193,132	+4.41	1,401,820	1,376,482	+1.84
	TOTAL	**$550,651**	**$542,240**	**+1.55**	**$3,828,530**	**$3,753,339**	**+2.00**
Department Stores	U.S.[1]	**$9.267 bil.**	**$8.699 bil.**	**+6.53**	**$64.007 bil.**	**$57.170 bil.**	**+11.96**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

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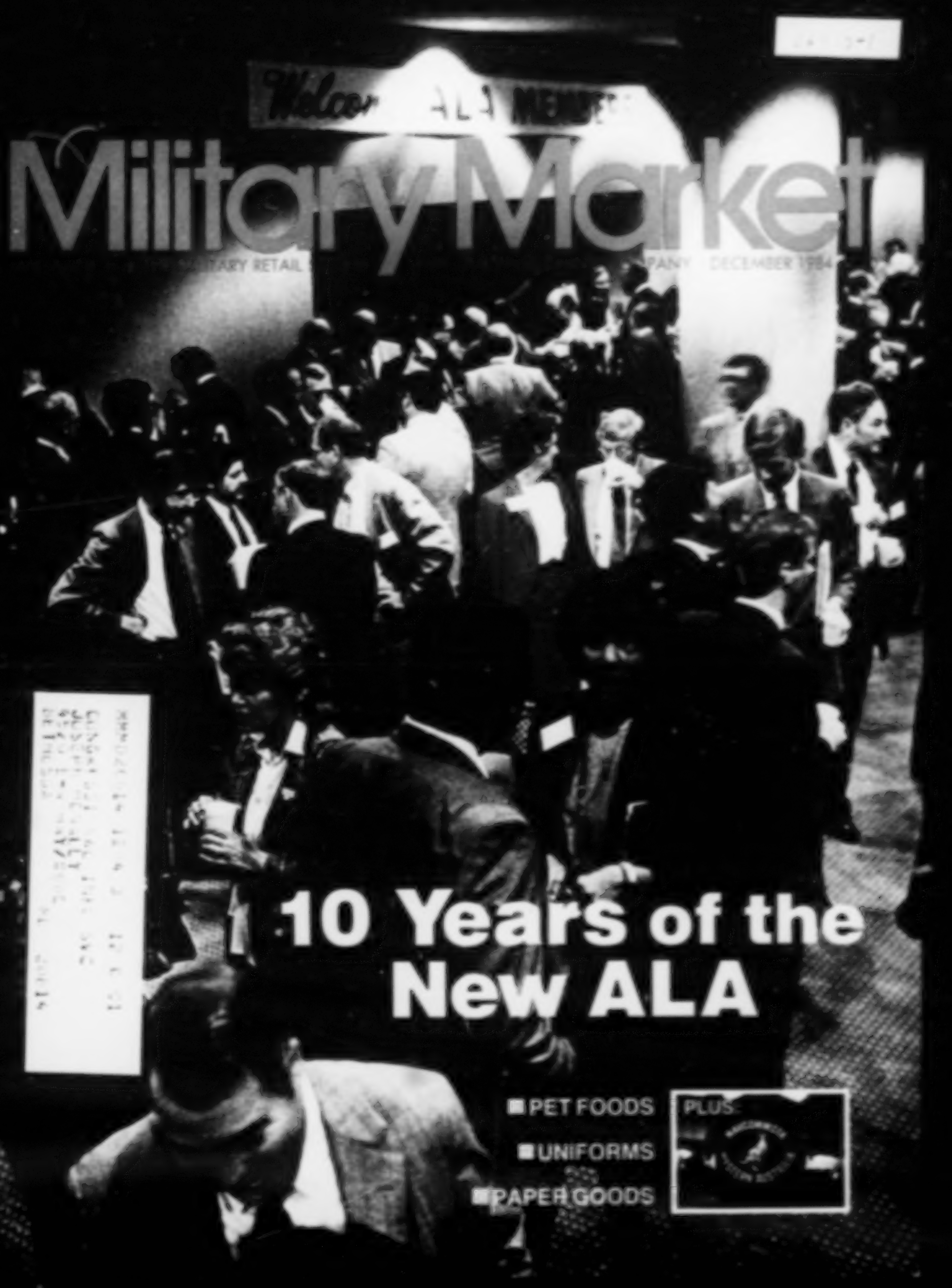

Military Market

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10 Years of the New ALA

- PET FOODS
- UNIFORMS
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PLUS:

Military Market serving the military retail system

DECEMBER 1984/VOLUME 35/NO.12
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Military Market survey

Daily Direct-Store Delivery:

Who Will Ultimately Pick Up the Tab?

DIRECT-STORE DELIVERY seems like a good idea to most commissary managers, according to the results of this month's telephone survey, as nine of the 17 managers whose stores did not currently use this method indicated they would like to see it in their stores. There were, however, lots of reservations about such an operation ever working (or coming) to their stores. Eight of those 17 managers without daily direct-store deliveries said they did not want to adopt such a set-up.

Those three commissary managers that currently use daily direct-store delivery, however, were enthusiastic and highly complimentary about the current tests in AFCOMS and NAVRESSO. "Daily direct-store delivery has been working out fine here — no problems," is the way one NAVRESSO store manager described it.

Commissary store managers gave varied reasons why they dislike the idea, ranging from the remoteness of their locations, the lack of distributors in their immediate area, their stores' low volume of sales and the belief that direct-store delivery would only lead to higher prices for the patron.

In fact, 10 out of the total 20 store managers agreed that prices would be higher, with seven store managers saying that daily direct-store delivery would "probably" cause prices to rise. "The costs of making more frequent deliveries is going to get passed on to someone down the line," says one AFCOMS store manager. "The distributors are not going to do this out of the goodness of their hearts."

Other managers seemed to agree with these sentiments. "One of the sales reps told me confidentially that should his firm decide to go this route, there's no way his particular company was going to absorb the extra costs of making more frequent deliveries," says another NAVRESSO commissary manager. "It's sad, but the patron will probably end up being the one who picks up the tab."

Among the possible advantages of more frequent deliveries cited by the store managers were less emphasis on inventory and warehousing, less manpower needs, a higher inventory turnover rate, less possibilities for not-in-stocks and what one manager hoped would be the beginning of on-time deliveries. "Maybe if we had a system like that, those trucks would get here when they're scheduled, but then again, maybe not," sneered one AFCOMS store manager.

All the managers seemed in agreement about daily direct-store delivery relieving them of the necessity to carry such a large inventory. "I wouldn't have to spend all that time and effort making sure I have everything in stock in the back. I could just order my needs electronically by wanding the shelves. That's the way to do it."

Possible disadvantages cited were lots more paperwork, more hassles from headquarters, higher shelf prices and having almost total dependence on the distributors for filling their needs. "I kind of like the idea of having a warehouse — I guess I'm used to having that backup," says one TSA store manager.

Overwhelmingly, the commissary store managers said that daily direct-store delivery would probably not change their relationship with their milreps. While some said they were sympathetic to manufacturers' worries that their products might be dropped if they declined to participate, others pooh-poohed this argument. Says one AFCOMS store manager: "Customer demand dictates what we carry on the shelves, not whether a manufacturer decides to particpate in the test or not."

On the perennially hot question of whether the commissaries are behind their retail counterparts when it comes to daily direct-store deliveries, the respondents were evenly divided, with nine store managers saying the commissaries were behind, and 10 saying they were not, with one abstaining. **MM**

1. ARE YOU CURRENTLY PARTICIPATING IN ANY OF THE DIRECT-STORE DELIVERY TESTS? Yes — 3. No — 17.
IF NOT, WOULD YOU LIKE TO HAVE DIRECT-STORE DELIVERY AT YOUR STORE? Yes — 9. No — 8.this totals to 17, because 3 people had DSD already
2. WHAT HAS YOUR HEADQUARTERS TOLD YOU ABOUT DIRECT-STORE DELIVERY? A lot — 3. Something — 9. Not Much — 2. Nothing — 6.
3. DO YOU BELIEVE THAT DIRECT-STORE DELIVERY WOULD BE A FEASIBLE OPTION AT YOUR PARTICULAR COMMISSARY? Yes — 10. No — 7. Perhaps — 3.
WHY OR WHY NOT? (See story.)
4. WHAT DO YOU THINK ARE THE ADVANTAGES OF DIRECT-STORE DELIVERY? (See story.)
5. WHAT DO YOU THINK ARE THE DISADVANTAGES OF DIRECT-STORE DELIVERY? (See story.)
6. DO YOU THINK ELECTRONIC ORDER ENTRY WILL HAVE ANY EFFECT ON YOUR RELATIONSHIP WITH MILITARY SALES REPRESENTATIVES? (WITH DIRECT-STORE DELIVERY, SALES REPS NO LONGER WRITE ORDERS.) Yes — 5. No — 15.
IF YES, WHAT? (See story.)
7. MANUFACTURERS ARE CONCERNED THAT THEIR PRODUCTS COULD BE DROPPED FROM THE SHELVES IF THEY CHOOSE NOT TO PARTICIPATE IN THE DIRECT-STORE DELIVERY TESTS. DO YOU FEEL THAT THIS IS A VALID FEAR? Yes — 4. No — 16.
8. DO YOU THINK THAT USING DAILY DIRECT-STORE DELIVERY WOULD RESULT IN HIGHER SHELF PRICES? Yes — 10. No — 3. Perhaps — 7.
9. DO YOU THINK COMMISSARIES ARE BEHIND CIVILIAN STORES IN THIS ASPECT OF THE GROCERY BUSINESS? Yes — 9. No — 10. Don't Know — 1.

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Commissaries

		AUGUST			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$161,655	$148,078	+9.17	$1,212,358	$1,167,578	+3.84
	OVERSEAS	30,816	28,577	+7.83	238,631	232,603	+2.59
	TOTAL	**192,471**	**176,655**	**+8.95**	**1,450,989**	**1,400,181**	**+3.63**
Army	CONUS	106,575	99,120	+7.52	849,135	826,862	+2.69
	OVERSEAS	32,235	32,340	-0.32	268,275	265,399	+1.08
	TOTAL	**138,810**	**131,460**	**+5.59**	**1,117,410**	**1,092,261**	**+2.30**
Navy	CONUS	56,240	49,478	+13.67	476,296	429,949	+10.78
	OVERSEAS	6,920	5,937	+16.56	56,312	49,544	+13.66
	TOTAL	**63,160**	**55,415**	**+13.98**	**532,608**	**479,493**	**+11.08**
Marines	CONUS	12,718	10,490	+21.24	103,824	90,078	+15.26
	OVERSEAS	294	155	+89.68	1,738	1,496	+16.18
	TOTAL	**13,012**	**10,645**	**+22.24**	**105,562**	**91,574**	**+15.28**
Coast Guard	CONUS	318	314	+1.27	1,930	2,257	-14.49
	OVERSEAS	328	247	+32.79	2,230	1,416	+57.49
	TOTAL	**646**	**561**	**+15.15**	**4,160**	**3,673**	**13.26**
All Commissaries	CONUS	337,506	307,480	+9.77	2,643,543	2,516,724	+5.04
	OVERSEAS	70,593	67,256	+4.96	567,186	550,458	+3.04
	TOTAL	**$408,099**	**$374,736**	**+8.90**	**$3,210,729**	**$3,067,182**	**+4.68**
Grocery Stores	U.S.[1]	**$22.512 bil.**	**$20.608 bil.**	**+9.24**	**$175.487 bil.**	**$159.874 bil.**	**+6.64**

Exchanges

		AUGUST			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
AAFES	CONUS	$245,125	$238,250	+2.89	$1,836,284	$1,799,440	+2.05
	OVERSEAS	154,515	150,420	+2.72	1,237,750	1,214,120	+1.95
	TOTAL	**399,640**	**388,670**	**+2.82**	**3,074,034**	**3,013,560**	**+2.01**
Navy	CONUS[2]	94,969	93,835	+1.21	688,241	669,686	+2.77
	OVERSEAS[2]	37,925	38,050	-0.33	290,213	285,233	+1.75
	TOTAL[2]	**132,894**	**131,885**	**+0.77**	**978,454**	**954,919**	**+2.46**
Marines	CONUS	29,936	29,193	+2.55	220,916	219,547	+0.62
	OVERSEAS	4,621	4,364	+5.89	37,890	37,682	+0.55
	TOTAL	**34,557**	**33,557**	**+2.98**	**258,806**	**257,229**	**+0.61**
Coast Guard	CONUS[3]	6,494	6,428	+1.03	48,932	47,726	+2.53
	OVERSEAS[3]	885	876	+1.03	6,252	6,508	-3.93
	TOTAL[3]	**7,379**	**7,304**	**+1.03**	**55,184**	**54,234**	**+1.75**
Mail Order	CONUS[4]	795	949	-16.23	9,656	9,112	+5.97
	OVERSEAS[4]	3,032	3,207	-5.46	30,693	29,857	+2.80
	TOTAL[4]	**3,827**	**4,156**	**-7.92**	**40,349**	**38,969**	**+3.54**
All Exchanges	CONUS	377,319	368,655	+2.35	2,804,029	2,745,511	+2.13
	OVERSEAS	200,978	196,917	+2.06	1,602,798	1,573,400	+1.87
	TOTAL	**$578,297**	**$565,572**	**+2.25**	**$4,406,827**	**$4,318,911**	**+2.04**
Department Stores	U.S.[1]	**$10.529 bil.**	**$9.447 bil.**	**+11.45**	**$74.526 bil.**	**$66.617 bil.**	**+11.87**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

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Military Market survey

Milreps Look Ahead to 1985

'The Empires That Be Will Not Change'

MILREPS, FROM THEIR vantage point as middlemen poised between suppliers and the resale systems, offered some candid and refreshing insights into what they see shaping up for 1985. One particularly cynical fellow resignedly told MILITARY MARKET that he did not foresee any significant improvements happening to further his lot in life as a milrep. "I have been in this business for 36 years and have seen very little changes that weren't cosmetic. Nothing ever changes; the empires that be will not change."

Other brokers were more optimistic, however. Several pointed out areas in which significant strides have been made in the last year that have improved commerce for both sides. "I've seen a much greater emphasis on promtional materials from the exchanges. The military is finally coming around to see the importance of POS materials."

Another milrep sees a greater degree of professionalism and knowledge of the market on the part of the buyers. "For a long time, it seemed as if the various buyers were always turning over or moving around. I think they are beginning to stay longer in one position now. The person who buys sporting goods this week won't be buying lingerie the next week . . . and that's encouraging."

Still, there's a lot of room for improvement in the eyes of many milreps. "There's still a certain stigma attached to being a milrep. Regardless of what the general says in his letters, the attitude of several buyers is still the same — there's no need for the milrep. It's as if they refuse to recognize that we fill a very real and necessary function in this business."

A whopping 17 out of the 20 milreps surveyed agreed that the resale systems are gradually phasing out the role of the milrep. "Whether it's a conscious effort on their part or not, really doesn't matter. The point is, this is what is happening; this is what the buyers are telling manufacturers: 'You don't need a milrep to do business with us.' "

One question eliciting total agreement among the milrep crowd was that the commissaries can expect continued pressure to contract out their operations or privatize. Says one, "I think it will go past the testing stage and they will be forced to actually start doing it [contracting out]."

"With the deficit looming so heavily on the horizon, you can be sure there will be intense competition for every appropriated dollar that comes out of the next Congress — and the commissaries need more money every year, " offers another milrep.

All 20 milreps surveyed said they believed the exchanges should honor credit cards. However, the likelihood that the next Congress will aprove credit does not appear very bright in the eyes of most milreps, with 18 of them saying they doubt such a proposal would fly in the climate of this administration. "Look, they're talking about a military pay freeze already, there's no way they're going to approve credit on the heels of a pay freeze."

One idea virtually all the milreps agreed upon is that exchange sales would increase by 10 percent or more if the exchanges were to accept credit cards. Five milreps said they believed sales would increase by at least 15 percent or more.

In general, the milreps were not in favor of daily, direct-store delivery ideas. "Somebody's going to pay the additional costs, and it's not going to be the distributors," grouses one milrep.

Many milreps said they are conscientiously striving toward helping DPSC reach its stated goal of driving down overseas commissary prices. "We're offering more VPRs than ever before; there's a better feeling among the trade that they will be passed along now." Others tell MILITARY MARKET that their firms are watching lot pricing closely to see if it has the desired effect of lowering overseas commissary prices.

Cost-price limitations, as imposed by Congress on the exchanges, are something milreps have just resigned themselves to living with. "It's something we have absolutely no control over. Those are just the rules of the game. Sure, it hurts our business. We could sell more product without those limits, but every game has certain rules you just have to live with." MM

1 — WHAT DO YOU SEE AS THE MOST FRUSTRATING ASPECT OF YOUR JOB IN DEALING WITH THE RESALE SYSTEMS? (See story above.)

2 — WHAT DO YOU PREDICT WILL BE DONE ABOUT IT? (See story above.)

3 — WHAT ASPECT OF DEALING WITH THE RESALE SYSTEMS HAS IMPROVED THE MOST IN THE PAST YEAR? (See story above.)

4 — WHAT'S GOTTEN WORSE? (See story above.)

5 — DO YOU THINK THE RESALE SYSTEMS ARE GRADUALLY PHASING OUT THE ROLE OF THE MILREP? Yes — 17. No — 3.

6 — DO YOU BELIEVE THE EXISTENCE OF COMMISSARIES WILL FACE ADDITIONAL THREATS IN THE COMING YEAR, SUCH AS ADDITIONAL PRESSURES TO CONTRACT OUT THEIR OPERATIONS OR PRIVATIZE? Yes — 20. No — 0.

7 — WHAT WILL YOU DO OR WHAT ARE YOU CURRENTLY DOING TO HELP DPSC ATTAIN ITS STATED GOAL OF LOWERING OVERSEAS COMMISSARY PRICES? (See story above.)

8 — WHAT EFFECTS (NEGATIVE OR POSITIVE) DO YOU PERCEIVE DIRECT-STORE DELIVERY WILL HAVE ON THE WAY YOU DO BUSINESS WITH THE RESALE SYSTEMS? (See story above.)

9 — DO YOU BELIEVE THAT COST-PRICE LIMITATIONS, AS CURRENTLY IMPOSED ON THE EXCHANGES BY CONGRESS, HAVE HINDERED YOUR FIRM FROM SELLING AS MUCH AS YOU WOULD LIKE IN THE STORES? Yes — 16. No — 4.

10 — DO YOU THINK CREDIT CARDS SHOULD BE USED IN THE EXCHANGES? Yes — 20. No — 0.

IF SO, BY HOW MUCH WOULD YOU EXPECT SALES WOULD INCREASE AS A RESULT OF THE USE OF CREDIT CARDS? 0 — 5 percent — 0. 5 — 10 percent — 5. 10 — 15 percent — 10. More than 15 percent — 5.

11 — HOW DO YOU THINK THE ISSUE OF CREDIT CARDS IN THE EXCHANGES WILL FARE IN THE NEXT CONGRESS? Will pass — 0. Will not pass — 20.

Military Market index

Commissaries

		SEPTEMBER			YEAR-TO-DATE		
		CY 1984	CY 1983	%	CY 1984	CY 1983	%
Air Force	CONUS	$143,326	$147,007	-2.50	$1,355,684	$1,314,585	+3.13
	OVERSEAS	29,517	29,047	+1.62	268,148	261,650	+2.48
	TOTAL	**172,843**	**176,054**	**-1.82**	**1,623,832**	**1,576,235**	**+3.02**
Army	CONUS	105,945	105,210	+0.70	955,080	932,072	+2.47
	OVERSEAS	33,390	28,350	+17.78	301,665	293,749	+2.69
	TOTAL	**139,335**	**133,560**	**+4.32**	**1,256,745**	**1,225,821**	**+2.52**
Navy	CONUS	72,205	66,910	+7.91	548,501	496,859	+10.39
	OVERSEAS	8,840	7,832	+12.87	65,151	57,376	+13.55
	TOTAL	**81,045**	**74,742**	**+8.43**	**613,652**	**554,235**	**+10.72**
Marines	CONUS	14,390	12,983	+10.84	118,214	103,061	+14.70
	OVERSEAS	165	203	-18.72	1,903	1,698	+12.07
	TOTAL	**14,555**	**13,186**	**+10.38**	**120,117**	**104,759**	**+14.66**
Coast Guard	CONUS	302	317	-4.73	2,232	2,574	-13.29
	OVERSEAS	296	259	+14.29	2,526	1,675	+50.81
	TOTAL	**598**	**576**	**+3.82**	**4,758**	**4,249**	**+11.98**
All Commissaries	CONUS	336,168	332,427	+1.13	2,979,711	2,849,151	+4.58
	OVERSEAS	72,208	65,691	+9.92	639,393	616,148	+3.77
	TOTAL	**$408,376**	**$398,118**	**+2.58**	**$3,619,104**	**$3,465,299**	**+4.44**
Grocery Stores	U.S.[1]	**$21.451 bil.**	**$20.611 bil.**	**+4.08**	**$191.843 bil.**	**$180.485 bil.**	**+6.29**

Exchanges

		SEPTEMBER			YEAR-TO-DATE		
		CY 1984	CY 1983	%	CY 1984	CY 1983	%
AAFES	CONUS	$239,427	$226,999	+5.47	$2,075,711	$2,026,440	+2.43
	OVERSEAS	150,616	150,038	+0.39	1,388,366	1,364,158	+1.77
	TOTAL	**390,043**	**377,037**	**+3.45**	**3,464,077**	**3,390,598**	**+2.17**
Navy	CONUS[2]	89,635	85,890	+4.36	777,876	755,756	+2.95
	OVERSEAS[2]	36,281	37,257	-2.62	326,494	322,490	+1.24
	TOTAL[2]	**125,916**	**123,147**	**+2.25**	**1,104,370**	**1,078,066**	**+2.44**
Marines	CONUS	27,698	27,996	-1.06	248,613	247,543	+0.43
	OVERSEAS	5,126	3,880	+32.11	43,017	41,562	+3.50
	TOTAL	**32,824**	**31,876**	**+2.97**	**291,630**	**289,105**	**+0.87**
Coast Guard	CONUS[3]	6,165	6,104	+1.00	55,098	53,830	+2.36
	OVERSEAS[3]	841	832	+1.08	7,092	7,340	-3.38
	TOTAL[3]	**7,006**	**6,936**	**+1.01**	**62,190**	**61,170**	**+1.67**
Mail Order	CONUS[4]	848	895	-5.25	10,504	10,007	+4.97
	OVERSEAS[4]	2,613	2,630	-0.65	33,306	32,487	+2.52
	TOTAL[4]	**3,461**	**3,525**	**-1.82**	**43,810**	**42,494**	**+3.10**
All Exchanges	CONUS	363,773	347,884	+4.57	3,167,802	3,093,396	+2.41
	OVERSEAS	195,477	194,637	+0.43	1,798,275	1,768,037	+1.71
	TOTAL	**$559,250**	**$542,521**	**+3.08**	**$4,966,077**	**$4,861,433**	**+2.15**
Department Stores	U.S.[1]	**$10.112 bil.**	**$9.187 bil.**	**+10.07**	**$84.644 bil.**	**$75.804 bil.**	**+11.66**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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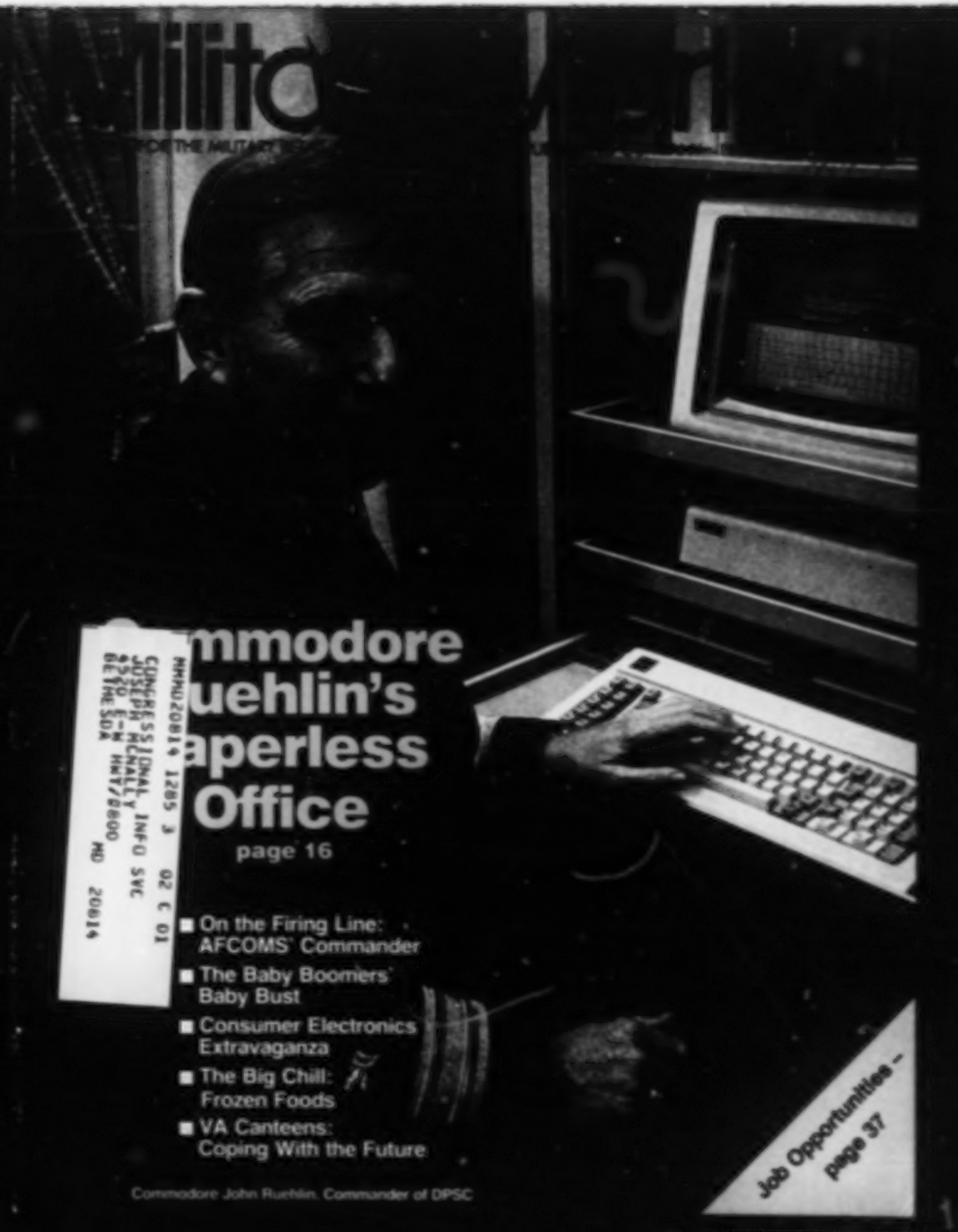
FOR THE MILITARY



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Military Market serving the military retail system

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COVER DESIGN BY GARNETT SULLIVAN

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Military Market survey

Salvage: No Problem

'All we're really talking about here are piddly pennies.'

COMMISSARY OFFICERS generally don't feel that salvage is a major problem for their stores, and they are also uniformly satisfied with present procedures for disposing of salvage, according to the results of this month's MILITARY MARKET telephone survey. Six TSA commissaries, five AFCOMS stores, five Marine Corps outlets and four Navy stores responded to the survey.

Respondents overwhelmingly cited the warehouse or the back room as the location for salvage storage, although the variety of terms used to describe the area included a "cage," "holding area," "controlled salvage area," "sealed garbage can," a "specially marked bin" and a "little shed out back."

Most commissary officers said there is no particular time of the year when salvage poses the biggest problem, although five noted that salvage increases during the warmer months and sometimes when there's a large shipment of goods.

Canned goods, produce and boxed goods were the most often cited categories that commissary officers believe posed the greatest salvage problems for their stores. "There's no single category . . . It's just part of our business," is the way one AFCOMS commissary officer described it.

Eight of the 20 commissary officers surveyed said that salvage has always been a thorn in their side for doing business. "It's just one of those built-in things we have to deal with. I think we do a pretty good job considering the volume of business we do," explained a TSA commissary officer.

Only a couple of respondents believe the problem of salvage is increasing, while several think salvage problems are decreasing. "It's been up and down, but we really seem to be getting it under control more and more each year."

Most of the people surveyed — 15 out of 20 — believe salvage does not cost the commissaries too much money to handle. Said one NAVRESSO official: "All we're really talking about here are piddly pennies."

All respondents said that their present procedures for dealing with salvage are adequate and that they see no need for any changes.

In the sampling of 20 commissaries, MILITARY MARKET found that more stores do not turn over salvage to food banks than do, However, many commissary officers said they wish they could offer more items to food bank programs. "We solicited by letter all of the vendors that we deal with, but because of the responsibility [for lawsuits] involved, they declined to participate."

Eleven out of 20 respondents said that they believe even more products could be turned over to the food banks. Said one: "I'd like to offer even more products to the food banks, but my hands are tied." Another, who believed that more could not be offered, said, "All the companies that participate feel safe with the amount that is presently turned over."

Among the eight commissaries from this month's survey that are involved in food bank programs, only two commissary officers said the food banks involved were slow to pick up the items.

All 20 commissary officers surveyed were opposed to the idea that current federal policy might be changed to allow commissary officers themselves to authorize release of salvage to food banks. One particularly overworked officer said, "I have all the responsibility I can handle — or ever hope to handle — as it is."

Another replied that he does not think it can be changed because, "the government would never want to absorb the loss."

Across the board, commissary officers surveyed believe they do not use salvage to cover up warehouse problems or disguise their own operational inefficiencies, as some critics have charged. Only one felt that salvage costs suppliers a lot of money. "Those people who say that [it costs suppliers money] are idiots."

Half the people surveyed said their stores have a greater salvage problem than civilian supermarkets, and four people said their operations were more efficient than civilian stores and that salvage therefore posed even less of a problem.

Responses varied greatly concerning the longest a store has been forced to hold goods awaiting pickup by vendors, ranging from one week to as long as a year. MM

1 — WHERE DO YOU STORE YOUR SALVAGE? (See story)

2 — WHEN IS SALVAGE THE BIGGEST PROBLEM FOR YOU? (EXAMPLES: HOLIDAYS, DURING MAJOR SALES EVENTS, DURING HEAT WAVES, ETC.) (See story)

3 — IN WHICH PRODUCT CATEGORY IS SALVAGE THE BIGGEST PROBLEM? Canned — 7. Produce — 2. Frozen foods — 2. Boxed goods — 4. None in particular — 5.

4 — HAS SALVAGE ALWAYS BEEN A PROBLEM FOR YOUR STORE, OR HAS IT INCREASED OR DECREASED IN RECENT YEARS? Always a problem — 8. Not a large problem — 5. Increasing — 2. Decreasing — 5.

5 — DO YOU THINK HANDLING SALVAGE COSTS THE COMMISSARY TOO MUCH MONEY? Yes — 1. No — 15. Don't Know — 4

6 — DO YOU THINK YOUR ORGANIZATION HANDLES THE PROBLEM OF SALVAGE IN THE BEST POSSIBLE WAY? Yes — 20. No — 0.

7 — DOES A FOOD BANK PICK UP FOOD FROM YOUR STORE? Yes — 8. No — 12.

8 — IS THE FOOD BANK PROMPT IN MAKING PICKUPS FROM YOUR STORE? Yes — 6. No — 2. Does not apply — 12.

9 — DO YOU THINK MORE PRODUCTS COULD BE TURNED OVER TO FOOD BANKS THAN ARE CURRENTLY? Yes — 3. No — 11. Not applicable — 6.

10 — UNDER CURRENT FEDERAL POLICY, SUPPLIERS AUTHORIZE THE RELEASE OF THEIR PRODUCTS TO FOOD BANKS. DO YOU THINK THAT THIS SHOULD BE CHANGED SO THE COMMISSARY OFFICER IS THE AUTHORIZING RELEASING AGENT? Yes — 0. No — 20.

11 — SOME IN INDUSTRY SAY COMMISSARY OFFICERS ABUSE THE SALVAGE SITUATION AND USE MANUFACTURERS' RETURNS TO HIDE OPERATIONAL INEFFICIENCIES. RETURNS THEREFORE COST SUPPLIERS TOO MUCH MONEY. DO YOU AGREE OR DISGAREE? Agree — 0. Disagree — 20.

12 — HOW DOES COMMISSARIES' AMOUNT OF SALVAGE COMPARE WITH CIVILIAN STORES? More — 10. Less — 4. Same — 6.

13 — WHAT IS THE LONGEST YOU'VE EVER HELD SALVAGE BEFORE A VENDOR PICKED IT UP? 1 week — 3. 2 weeks — 3. 3 weeks — 3. 1 month — 7. 2 months — 3. 1 year — 1.

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Commissaries

		OCTOBER			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$148,835	$141,944	+4.85	$1,504,519	$1,456,530	+3.29
	OVERSEAS	29,824	27,198	+9.66	297,973	288,848	+3.16
	TOTAL	**178,659**	**169,142**	**+5.63**	**1,802,492**	**1,745,378**	**+3.27**
Army	CONUS	104,160	100,905	+3.23	1,059,240	1,032,977	+2.54
	OVERSEAS	31,395	32,445	-3.24	333,060	326,194	+2.10
	TOTAL	**135,555**	**133,350**	**+1.65**	**1,392,300**	**1,359,171**	**+2.44**
Navy	CONUS	54,814	52,953	+3.51	603,315	549,811	+9.73
	OVERSEAS	6,622	6,175	+7.24	71,774	63,551	+12.94
	TOTAL	**61,436**	**59,128**	**+3.90**	**675,089**	**613,362**	**+10.06**
Marines	CONUS	13,625	12,036	+13.20	131,839	115,097	+14.55
	OVERSEAS	230	199	+15.58	2,133	1,897	+12.44
	TOTAL	**13,855**	**12,235**	**+13.24**	**133,972**	**116,994**	**+14.51**
Coast Guard	CONUS	311	317	-1.89	2,542	2,892	-12.10
	OVERSEAS	235	216	+8.80	2,761	1,891	+46.01
	TOTAL	**546**	**533**	**+2.44**	**5,303**	**4,783**	**+10.87**
All Commissaries	CONUS	321,745	308,155	+4.41	3,301,455	3,157,307	+4.57
	OVERSEAS	68,306	66,233	+3.13	707,701	682,381	+3.71
	TOTAL	**$390,051**	**$374,388**	**+4.18**	**$4,009,156**	**$3,839,688**	**+4.41**
Grocery Stores	U.S.[1]	**$21.484 bil.**	**$20.524 bil.**	**+4.68**	**$213.344 bil.**	**$201.009 bil.**	**+6.14**

Exchanges

		OCTOBER			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
AAFES	CONUS	$214,016	$230,625	-7.20	$2,289,727	$2,257,065	+1.45
	OVERSEAS	146,204	157,433	-7.13	1,534,570	1,521,591	+0.85
	TOTAL	**360,220**	**388,058**	**-7.17**	**3,824,297**	**3,778,656**	**+1.21**
Navy	CONUS[2]	94,380	88,253	+6.94	872,256	843,829	+3.37
	OVERSEAS[2]	38,127	38,204	-0.20	364,621	360,694	+1.09
	TOTAL[2]	**132,507**	**126,457**	**+4.78**	**1,236,877**	**1,204,523**	**+2.69**
Marines	CONUS	28,968	29,257	-0.99	277,581	276,800	+0.28
	OVERSEAS	4,826	4,418	+9.23	47,842	45,980	+4.05
	TOTAL	**33,794**	**33,675**	**+0.35**	**325,423**	**322,780**	**+0.82**
Coast Guard	CONUS[3]	6,250	6,188	+1.00	61,347	60,018	+2.21
	OVERSEAS[3]	852	844	+0.95	7,945	8,184	-2.92
	TOTAL[3]	**7,102**	**7,032**	**+1.00**	**69,292**	**68,202**	**+1.60**
Mail Order	CONUS[4]	1,174	1,418	-17.21	11,678	11,425	+2.21
	OVERSEAS[4]	4,375	3,481	+25.68	37,681	35,968	+4.76
	TOTAL[4]	**5,549**	**4,899**	**+13.27**	**49,359**	**47,393**	**+4.15**
All Exchanges	CONUS	344,788	355,741	-3.08	3,512,589	3,449,137	+1.84
	OVERSEAS	194,384	204,380	-4.89	1,992,659	1,972,417	+1.03
	TOTAL	**$539,172**	**$560,121**	**-3.74**	**$5,505,248**	**$5,421,554**	**+1.54**
Department Stores	U.S.[1]	**$10.695 bil.**	**$9.873 bil.**	**+8.33**	**$95.321 bil.**	**$85.677 bil.**	**+11.26**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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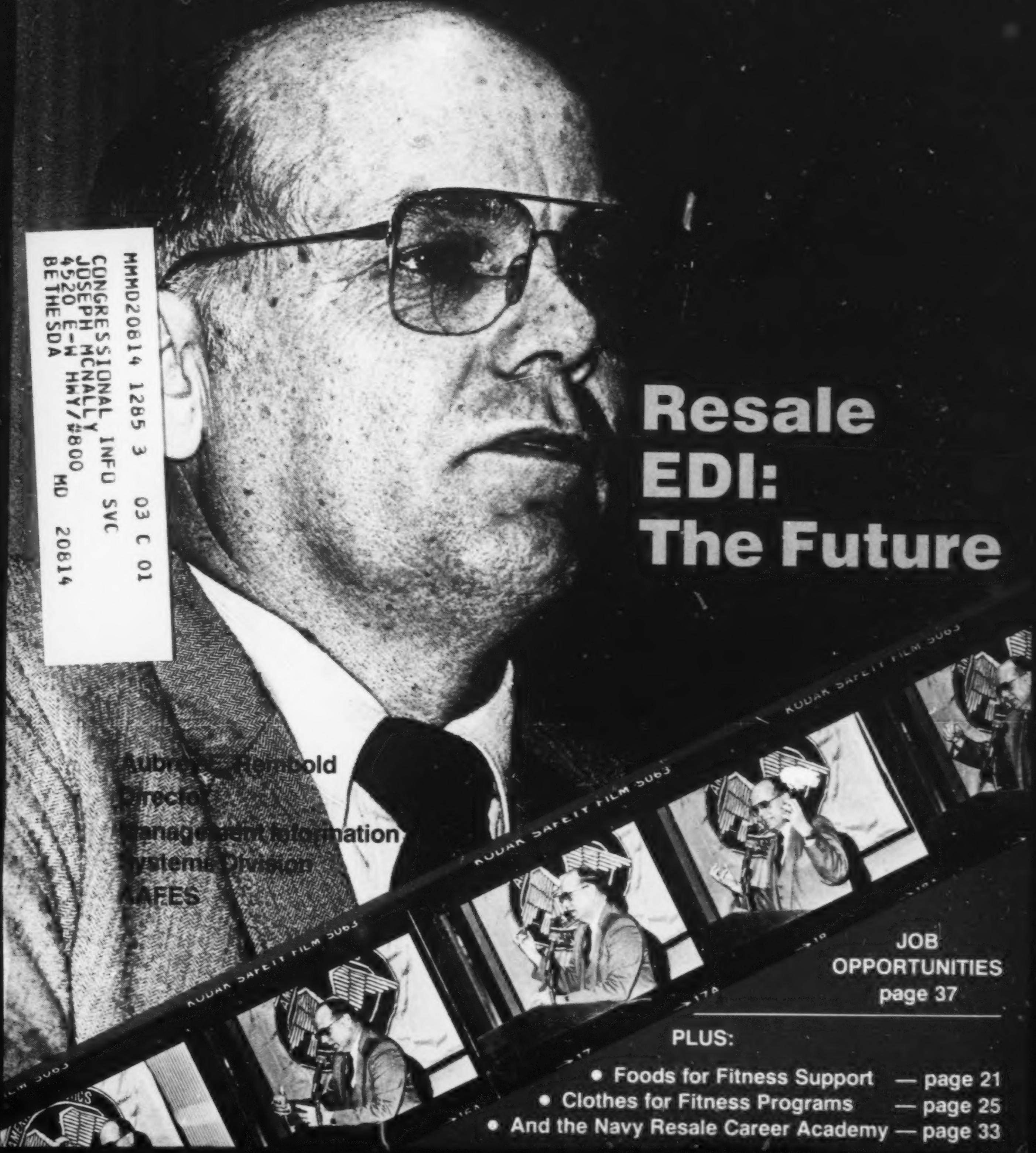

Resale EDI: The Future

Aubrey [illegible] Rembold
Director
Management Information
Systems Division
AAFES

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BPA

Military Market survey

Credit Cards in Exchanges

'It'd better go through . . . We are losing a lot of money.'

THE ISSUE OF whether credit cards should be accepted in the exchanges is expected to heat up again in this year's Congress. Exchange store-level officials say it's time restrictions on credit cards were lifted so military families get the full benefits they deserve.

This month, the majority of the eight AAFES, six Marine Corps and four Navy exchange officers responding to MILITARY MARKET's telephone survey said they feared that once again the issue of credit cards in the exchanges would do poorly in Congress.

"It'd better go through because we are losing a lot of money," one distraught AAFES manager said.

Several answering the survey did, however, express some optimism that if the issue were not resolved this year, credit cards would eventually make their way into the exchanges.

"It's gonna be tough," said one Marine Corps exchange officer, "and it will be a long time before they are approved."

Said one AAFES exchange manager: "If we had enough congressmen with enough gratitude toward the military, they would help us to get this through."

Twelve of the 18 store managers MILITARY MARKET talked with blamed the major retail store lobbies for keeping credit cards out of exchanges. One AAFES manager claimed that "too many lobbyists are beating the system that the military family is entitled to."

That AAFES exchange manager was joined by a Navy counterpart who said it was retail giants, such as Sears and J.C. Penney, that are enemies of credit cards in exchanges. "We aren't providing them [the military family] their full benefits if we don't give this privilege to them."

This month's respondents were unanimous in believing that if credit cards were OK'd for use in exchanges, sales would increase from 5 percent to 20 percent. They said those increases would most likely fall in the high-ticket categories, such as electronics, stereos, VCRs, and men's and women's clothing. On average, most of those responding said the total sales increase would likely level off somewhere between 10 percent and 15 percent.

Exchange managers also joined unanimously in rejecting the claim that credit cards in exchanges would represent unfair competition to those retail stores outside the base's gate. "Why shouldn't we have credit cards, too?" questioned one Navy store manager. "All the retail stores do."

"Most airmen and soldiers already have credit cards anyway," said an AAFES manager who feels strongly that the private sector would not suffer. "If a person wants to offer good values outside the gate, the military guy will go off base to get those savings," he said.

For the most part, store officials said the extra paperwork that comes with accepting credit cards would be well worth the estimated increase in sales. But some felt that extra work would only really be worth the effort if sales increased at least 10 percent or more. "You can control your money flow much easier with a system like this," added one Marine Corps manager.

Feelings were mixed about whether checkout lines would be slowed down by the use of credit cards. The 10 respondents who said they didn't think this would happen feel lines will be no slower than when someone pays by check. "We are in the retail business, and we would just have to adjust to this," said one Marine Corps store manager.

The eight respondents who expressed concern over slower checkout lines said that before credit cards are OK'd, there would have to be some sort of system devised — such as designated lines — to control the problem of slow checkouts.

The biggest advantage of credit cards in all the survey respondents' minds was that of increased sales. Running close behind were customer convenience, the chance for exchanges to be more competitive with stores outside the gate and the opportunity for military families to not have to shop paycheck-to-paycheck. "It would give customers without a lot of cash the ability to shop in their exchanges when they need something, not just when they have the cash," said one AAFES manager.

On the other hand, the biggest disadvantage, according to the majority of the respondents, was issuing credit cards to younger military personnel who might not be able to afford them. Many of the managers said they also feared credit cards would create more hassles when it came to debt collection. "We already have our hands full with collecting on bad checks." MM

1 — HOW DO YOU THINK THE ISSUE OF CREDIT CARDS WILL FARE IN THIS CONGRESS? Not well — 11. Optimistic — 5. Could not answer — 2.

2 — WHAT DO YOU THINK IS THE BIGGEST OBSTACLE TO GETTING CREDIT CARDS IN EXCHANGES? A strong retail lobby — 12. Implementing a uniform system — 3. Congress itself — 1. Could not answer — 2.

3 — DO YOU THINK SALES WOULD INCREASE IF CREDIT CARDS ARE AUTHORIZED IN THE EXCHANGES? Yes — 18. No — 0. **IF SO, BY HOW MUCH?** 5-10 percent — 8. 10-15 percent — 2. 15-20 percent — 2. More than 20 percent — 1. A significant amount (unspecified) — 5.

4 — IN WHICH PRODUCT CATEGORIES DO YOU THINK SALES WOULD INCREASE MOST? The high-ticket items — 18.

5 — DO YOU THINK ACCEPTING CREDIT CARDS REPRESENTS UNFAIR COMPETITION TO STORES OUTSIDE THE GATE? Yes — 0. No — 18.

6 — WOULD THE EXTRA PAPERWORK BE WORTH THE EXPECTED INCREASE IN SALES? Yes — 15. No, not unless new sales were high enough — 2. Depends on system adopted — 1.

7 — DO YOU THINK ACCEPTING CREDIT CARDS WOULD SLOW DOWN CHECKOUT TIME? Yes — 8. No — 10.

8 — AS A STORE MANAGER, WHAT DO YOU THINK IS THE BIGGEST ADVANTAGE OF CREDIT CARDS? See story.

9 — WHAT IS THEIR BIGGEST DISADVANTAGE? See story.

10 — DO YOU THINK CREDIT CARDS SHOULD BE ACCEPTED IN EXCHANGES? Yes — 18. No — 0.

Military Market index

Commissaries

		NOVEMBER			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$152,731	$148,891	+2.58	$1,657,250	$1,605,420	+3.23
	OVERSEAS	30,991	30,048	+3.14	328,964	318,896	+3.16
	TOTAL	**183,722**	**178,939**	**+2.67**	**1,986,214**	**1,924,316**	**+3.22**
Army	CONUS	108,045	104,370	+3.52	1,167,285	1,137,347	+2.63
	OVERSEAS	33,075	32,865	+0.64	366,135	359,059	+1.97
	TOTAL	**141,120**	**137,235**	**+2.83**	**1,533,420**	**1,496,406**	**+2.47**
Navy	CONUS	59,043	52,167	+13.18	662,358	601,979	+10.03
	OVERSEAS	7,140	6,001	+18.98	78,914	69,552	+13.46
	TOTAL	**66,183**	**58,168**	**+13.78**	**741,272**	**671,531**	**+10.39**
Marines	CONUS	13,838	11,884	+16.44	145,677	126,981	+14.72
	OVERSEAS	225	190	+18.42	2,358	2,087	+12.99
	TOTAL	**14,063**	**12,074**	**+16.47**	**148,035**	**129,068**	**+14.70**
Coast Guard	CONUS	297	312	-4.81	2,839	3,203	-11.36
	OVERSEAS	278	272	+2.21	3,039	2,163	+40.50
	TOTAL	**575**	**584**	**-1.54**	**5,878**	**5,366**	**+9.54**
All Commissaries	CONUS	333,954	317,624	+5.14	3,635,409	3,474,930	+4.62
	OVERSEAS	71,709	69,376	+3.36	779,410	751,757	+3.68
	TOTAL	**$405,663**	**$387,000**	**+4.82**	**$4,414,819**	**$4,226,687**	**+4.45**
Grocery Stores	U.S.[1]	**$21.946 bil.**	**$20.229 bil.**	**+8.49**	**$235.327 bil.**	**$221.238 bil.**	**+6.37**

Exchanges

		NOVEMBER			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
AAFES	CONUS	$232,237	$241,508	-3.84	$2,521,964	$2,498,573	+0.94
	OVERSEAS	147,355	157,052	-6.17	1,681,925	1,678,643	+0.20
	TOTAL	**379,592**	**398,560**	**-4.76**	**4,203,889**	**4,177,216**	**+0.64**
Navy	CONUS[2]	101,731	98,438	+3.35	973,987	942,267	+3.37
	OVERSEAS[2]	40,934	38,462	+6.43	405,555	399,156	+1.60
	TOTAL[2]	**142,665**	**136,900**	**+4.21**	**1,379,542**	**1,341,423**	**+2.84**
Marines	CONUS	31,865	30,199	+5.52	309,446	306,999	+0.80
	OVERSEAS	4,722	4,524	+4.38	52,564	50,504	+4.08
	TOTAL	**36,587**	**34,723**	**+5.37**	**362,010**	**357,503**	**+1.26**
Coast Guard	CONUS[3]	6,935	6,866	+1.00	68,282	66,884	+2.09
	OVERSEAS[3]	946	936	+1.07	8,890	9,120	-2.52
	TOTAL[3]	**7,881**	**7,802**	**+1.01**	**77,172**	**76,004**	**+1.54**
Mail Order	CONUS[4]	1,596	2,125	-24.89	13,274	13,551	-2.04
	OVERSEAS[4]	5,780	5,575	+3.68	43,461	41,542	+4.62
	TOTAL[4]	**7,376**	**7,700**	**-4.21**	**56,735**	**55,093**	**+2.98**
All Exchanges	CONUS	374,364	379,136	-1.26	3,886,953	3,828,274	+1.53
	OVERSEAS	199,737	206,549	-3.30	2,192,395	2,178,965	+0.62
	TOTAL	**$574,101**	**$585,685**	**-1.98**	**$6,079,348**	**$6,007,239**	**+1.20**
Department Stores	U.S.[1]	**$13.495 bil.**	**$12.001 bil.**	**+12.45**	**$108.777 bil.**	**$97.678 bil.**	**+11.36**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY APRIL 1985 $7.00

RESET!

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- Fifth Annual Broker Report
- Directory of Military [illegible]

Military Market serving the military retail system

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Military Market survey

Reps Sound Off

Centralized Buying Is the Biggest Change

WHAT BUGS military representatives the most when it comes to dealing with the resale system? According to MILITARY MARKET's April survey, the biggest frustrations include consolidated or centralized buying, a lack of professionalism on the military's part — and AAFES.

This month 62 military representatives, participating in an anonymous mail survey, shared their views on the state of the military resale system.

Though this month's survey drew a wide variety of views, the reps overall indicated that two of the biggest changes they had seen since entering the business were consolidated or centralized buying and an enormous lack of professionalism within the resale agencies.

One survey participant, annoyed by centralized buying, said, "The exchanges are not a K mart. They are a unique identity for serving the military customer." Another rep explained that centralized buying had created a lack of control at the local and regional levels.

A significant number of reps expressed concern over what they described as unprofessionalism. One believes the problem is with the buyers — "They are not concerned about buying the best product at the best possible price."

Another respondent said the biggest change has been "the growth of the exchange business into what it is today — a giant — wielding too much power while not really knowing what they are doing." Another said, "The system has too much red tape."

From a newcomer: "The systems are disorganized and very difficult to do business with. They should take lessons from retail purchasing agents." In addition, said several others, there is a continuous anti-rep attitude prominent within the system.

Several said, however, there had been some changes for the better. "The caliber of people working for the resale agencies has greatly improved since we entered this business," said one 21-year veteran.

Though the majority of respondents said they had not experienced any store-level problems when it came to servicing their lines, milreps who said they had had problems pointed to limited store hours as the culprit. Though each store differs, many stores have reduced vendor days to two per week. "On those days vendors are kept waiting for hours because of managerial meetings. The service reps who live on or near the base frequently are asked to return again tomorrow because the supervisors are too busy."

Milreps are split over whether the systems have effectively been retailing their products at the store level. Though more are inclined toward being pleased with the services' merchandising, those who responded that they had difficulties said it was mainly due to poor management and the lack of ability to merchandise goods. One rep with 35 years of experience said, "They are not as sharp at merchandising as the civilians." Another said, "They do not promote items that need some explaining."

Shelf space was also mentioned by several as being a problem. "There are few commissaries that really set up merchandising systems. Many VPRs are lost . . . because commissaries' display of slow items use up space which should be given to faster-moving VPRs."

Problems experienced when it comes to shipping and transporting products included restricted delivery hours, shipments of smaller quantities and pickups that often do not materialize. "Shipping smaller quantities through distributors results in extra distribution costs to achieve lower inventory."

There was a wide range of issues reps think are currently the biggest problem in dealing with the resale systems. Despite the federal Fast Pay Act, several reps said getting paid (especially by DPSC) was a major problem.

Other complaints included constant buyer turnover, especially within the Navy, a lack of profit motivation at all the services and dealing with AAFES. "AAFES has an extremely slow reaction time to new items, updating product assortments and price reductions."

Despite the gripes and the pessimism, not everybody thinks the picture is bleak. Said one newcomer: "I wouldn't change a thing. It's the best business to be in. I love it!" **MM**

1 — DO YOU DEAL WITH COMMISSARIES, EXCHANGES, OR BOTH? Commissaries — 10. Exchanges — 21. Both — 31.

2 — DOES YOUR COMPANY DEAL WITH CIVILIAN STORES? Yes — 22. No — 36. No response — 4.

3 — DO YOU DEAL WITH THE SYSTEMS PRIMARILY AT THE HEADQUARTERS, REGION/COMPLEX, OR STORE LEVEL? Headquarters — 3. Region — 2. Store — 4. Region and store — 11. Region and headquarters — 4. At all levels — 38.*

4 — HOW LONG HAVE YOU BEEN INVOLVED IN THE MILREP BUSINESS? Average commissary rep — 19.2 years. Average exchange rep — 21.8 years. Average years overall — 20.5.

5 — DID YOU WORK FOR ONE OF THE RESALE AGENCIES BEFORE YOU BEGAN WORKING AS A MILREP? Commissary rep — 2. Exchange rep — 4. Commissary and exchange rep — 3.

6 — WHAT IS THE BIGGEST CHANGE YOU'VE SEEN SINCE ENTERING THE BUSINESS? See story.

7 — HAS THIS BEEN GOOD OR BAD? See story.

8 — HAVE YOU EVER EXPERIENCED ANY STORE-LEVEL PROBLEMS WITH YOUR SALES PERSONNEL BEING DENIED ACCESS OR GIVEN ONLY LIMITED ACCESS TO SERVICE THEIR LINES? Yes — 21. No — 37. No comment — 4. **PLEASE DESCRIBE.** See story.

9 — DO YOU FEEL THAT THE EXCHANGES/COMMISSARIES THAT YOU HAVE BEEN DEALING WITH HAVE BEEN EFFECTIVELY RETAILING YOUR PRODUCTS? Yes — 28. No — 21. Yes and No — 3. No comment — 10. **IF NOT, WHAT SHORTCOMINGS HAVE YOU ENCOUNTERED?** See story.

10 — HAVE YOU EVER EXPERIENCED ANY PROBLEMS REGARDING THE TRANSPORT AND STORAGE OF YOUR PRODUCTS ON THEIR WAY TO THE EXCHANGE/COMMISSARY (i.e., extra shipping charges, exorbitant distribution fees, etc.)? Yes — 8. No — 46. No comment — 8. **PLEASE DESCRIBE.** See story.

11 — WHAT IS YOUR BIGGEST PROBLEM IN DEALING WITH THE RESALE SYSTEM TODAY? See story.

12 — IF YOU COULD CHANGE ONE THING ABOUT THE RESALE BUSINESS, WHAT WOULD IT BE? See story.

*Adds to more than 62 because of multiple responses.

Military Market Index

Commissaries

		DECEMBER			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
Air Force	CONUS	$149,352	162,220	-7.93	$1,806,601	$1,767,640	+2.20
	OVERSEAS	31,854	33,195	-4.04	360,817	352,091	+2.48
	TOTAL	**181,206**	**195,415**	**-7.27**	**2,167,418**	**2,119,731**	**+2.25**
Army	CONUS	110,040	115,185	-4.47	1,277,325	1,252,532	+1.98
	OVERSEAS	35,070	37,800	-7.22	401,205	396,859	+1.10
	TOTAL	**145,110**	**152,985**	**-5.15**	**1,678,530**	**1,649,391**	**+1.77**
Navy	CONUS	76,088	73,089	+4.10	738,446	675,068	+9.39
	OVERSEAS	9,477	8,755	+8.25	88,391	78,307	+12.88
	TOTAL	**85,565**	**81,844**	**+4.55**	**826,837**	**753,375**	**+9.75**
Marines	CONUS	14,612	13,938	+4.84	160,289	140,920	+13.74
	OVERSEAS	263	241	+9.13	2,621	2,328	+12.59
	TOTAL	**14,875**	**14,179**	**+4.91**	**162,910**	**143,248**	**+13.73**
Coast Guard	CONUS	293	330	-11.21	3,133	3,533	-11.32
	OVERSEAS	281	236	+19.07	3,320	2,399	+38.39
	TOTAL	**574**	**566**	**+1.41**	**6,453**	**5,932**	**+8.78**
All Commissaries	CONUS	350,385	364,762	-3.94	3,985,794	3,839,693	+3.81
	OVERSEAS	76,945	80,227	-4.09	856,354	831,984	+2.93
	TOTAL	**$427,330**	**$444,989**	**-3.97**	**$4,842,148**	**$4,671,677**	**+3.65**
Grocery Stores	U.S.[1]	**$23.212 bil.**	**$22.675 bil.**	**+2.37**	**$258.396 bil.**	**$243.913 bil.**	**+5.94**

Exchanges

		DECEMBER			YEAR-TO-DATE		
		CY'84	CY'83	%	CY'84	CY'83	%
AAFES	CONUS	$331,424	$322,458	+2.78	$2,853,388	$2,821,031	+1.15
	OVERSEAS	196,339	183,681	+6.89	1,878,265	1,862,325	+0.86
	TOTAL	**527,763**	**506,139**	**+4.27**	**4,731,653**	**4,683,356**	**+1.03**
Navy	CONUS[2]	116,261	112,802	+3.07	1,090,248	1,055,069	+3.33
	OVERSEAS[2]	47,171	44,601	+5.76	452,726	443,757	+2.02
	TOTAL[2]	**163,432**	**157,403**	**+3.83**	**1,542,974**	**1,498,826**	**+2.95**
Marines	CONUS	34,972	35,984	-2.81	344,418	342,983	+0.42
	OVERSEAS	5,991	5,681	+5.46	58,555	56,185	+4.22
	TOTAL	**40,963**	**41,665**	**-1.68**	**402,973**	**399,168**	**+0.95**
Coast Guard	CONUS[3]	8,570	8,393	+2.11	76,852	75,277	+2.09
	OVERSEAS[3]	1,064	1,144	-6.99	9,954	10,265	-3.03
	TOTAL[3]	**9,634**	**9,537**	**+1.02**	**86,806**	**85,542**	**+1.48**
Mail Order	CONUS[4]	1,849	2,598	-28.83	15,123	16,149	-6.35
	OVERSEAS[4]	5,307	5,776	-8.12	48,768	47,320	+3.06
	TOTAL[4]	**7,156**	**8,374**	**-14.55**	**63,891**	**63,469**	**+0.66**
All Exchanges	CONUS	493,076	482,235	+2.25	4,380,029	4,310,509	+1.61
	OVERSEAS	255,872	240,883	+6.22	2,448,268	2,419,852	+1.17
	TOTAL	**$748,948**	**$723,118**	**+3.57**	**$6,828,297**	**$6,730,361**	**+1.46**
Department Stores	U.S.[1]	**$20.534 bil.**	**$18.980 bil.**	**+8.19**	**$129.333 bil.**	**$116.658 bil.**	**+10.87**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

NOTE: 1983 Army sales data has been adjusted to reflect revised data received from the U.S. Army Troop Support Agency.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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Military Market

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O Canada!

How our resale neighbors to the north handle the credit card issue — page 36

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PLUS: Don Beaver and the California Commissaries

Military Market serving the military retail system

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Scanners Are a "Good Idea"

AAFES Exchange Managers Agree

SCANNERS, THE ELECTRONIC eyes that record and tabulate goods sold at the checkout counter, have been touted as one of the most cost-effective uses of technology by a grocer since the advent of refrigeration.

Scanning systems have proved successful in grocery operations with millions of dollars in annual sales, but how useful can they be in exchanges? This month's survey, based on 37 written reader responses, covers AAFES exchange managers' feelings about and experiences with the newly-introduced scanner technology. AAFES plans to eventually bring the scanner technology to most of its main stores and shoppettes.

Eleven of the 37 respondents are currently using scanning systems in their exchanges, and another twelve are expecting them in the near future. A majority (24 out of 37) of the respondents, including those who were not expecting to use them in their exchanges, agreed with the statement that: "..Installing scanning into AAFES' shoppettes is a good idea."

Ten of the 11 who are currently using scanning stated that scanners had improved their labor scheduling by allowing them to compare checkout workhours scheduled with the hourly checkout volume. One participant pointed out many advantages of the system by attributing "improved stock assortment, reduced slower sellers, increased procurement of better sellers and introduction of new line items" all to the use of the scanner system.

The size of an exchange operation required to make effective use of scanners seemed to be a chief concern of the two managers out of the 37 respondents who were not in favor of incorporating the system into their exchange operations. Cautioned one, "A shoppette stock assortment is so small and limited that the expense involved in setting up the scanning would be extreme. If it could be tied-in with little expense, then it might prove beneficial for stock control and management of stock items."

Similar concern was expressed by the other manager who did not favor scanning: "This exchange consists of seven troop branches and four foodlands, with the largest store doing $175,000.00. Scanning is not in the foreseeable future for my exchange."

Five of the 11 managers presently using scanner systems tempered their enthusiasm with cautionary comments. Wrote one, "[The scanners] are very complex for general staff . . . breakdown can cause the store to close." Another manager noted that the system actually "slows check-out lines with poorly or newly-trained checker/cashiers."

Two users mentioned the need for assigning Universal Product Codes to store merchandise items as a drawback to the system, though one mentioned that this was required less and less frequently for products as more manufacturers apply UPCs to their packaging.

Items identified as frequently needing UPC codes were in nearly all softline categories, and most specifically in the clothing and sports equipment lines. Lines mentioned as most frequently carrying the codes were greeting cards, food, drugs, cleaning supplies and some hardware items. Only one of the 11 users stated that he had dropped a product because it did not carry the UPC code, while the others agreed that this was not sufficent reason to drop a product from stock.

When asked if they felt they were familiar enough with the scanning system to use it to its fullest potential, seven of the managers using the system said that they were, while the other four responded they were not. However, those that said they were not familiar enough at present stated that it was simply a matter of training time and experience in using the applications of the system.

One manager characterized the respect and enthusiasm of initiates to the system in his comment, "[Our] system is relatively new (installed June '84). We are still learning. [The] system has tremendous potential for use in ordering, monitoring sales history and identifying store problems."

Advantages of the scanner most appreciated by the exchange managers were:

✓ faster check-out service,
✓ increased accuracy,
✓ it ensures stockage of only the most popular items,
✓ enables automatic replenishment,
✓ gives exact customer counts,
✓ better able to schedule labor for peak periods, and
✓ eliminates the need for price ticketing.

1 — DO YOU PRESENTLY USE SCANNING IN YOUR EXCHANGE? Yes — 11. No — 26. **IF NO, HAVE YOU BEEN TOLD BY DALLAS WHEN YOU WILL GET IT?** Yes — 12. No — 14.

2 — IF YOU HAVE SCANNING, DO YOU USE IT TO HELP YOU WITH LABOR SCHEDULING? Yes — 10. No — 1. Not Applicable — 26. **IF YES, HOW?** See story. **DO YOU THINK YOU'RE FAMILIAR ENOUGH WITH THIS APPLICATION TO USE IT TO ITS FULLEST POTENTIAL?** Yes — 7. No — 4. Not applicable — 26.

3 — DOES YOUR STORE LOCALLY APPLY U.P.C. CODES TO ANY MERCHANDISE? Yes — 11. No — 0. Not applicable — 26.

4 — HAVE YOU DROPPED ANY PRODUCTS FROM YOUR STOCK ASSORTMENT BECAUSE THEY DON'T HAVE U.P.C. CODES? Yes — 1. No — 10. Not applicable — 26.

5 — DO YOU BELIEVE THAT IT'S A GOOD IDEA TO DROP A PRODUCT BECAUSE IT DOES NOT HAVE A MANUFACTURER-APPLIED U.P.C. CODE ON IT? Yes — 1. No — 10. Not applicable — 26.

6 — HOW HAS SCANNING INFLUENCED OR CHANGED YOUR STOCK ASSORTMENT? See story.

7 — WHAT ARE THE BEST FEATURES OF SCANNING FOR YOUR STORE? See story.

8 — WHAT ARE THE LEAST BENEFICIAL OR LEAST-USED FEATURES OF SCANNING AT YOUR LOCATION? See story.

9 — DO YOU BELIEVE YOU KNOW ENOUGH ABOUT SCANNING'S BENEFITS TO YOUR STORE TO USE IT TO ITS FULLEST POTENTIAL? Yes — 8. No — 3. Not applicable — 26. **IF NO, WHAT WOULD ENABLE YOU TO BECOME A MORE SOPHISTICATED USER OF SCANNING?** See story.

10 — DO YOU THINK THAT INSTALLING SCANNING INTO AAFES' SHOPPETTES — AS IS BEING PLANNED — IS A GOOD IDEA? Yes — 13. No — 2. Don't know — 1. Not applicable — 21. **WHY OR WHY NOT?** See story.

They Do It Differently Up North

The biggest difference between the Canadian resale system and our own stares you in the face when you grab for the exchange door: There are credit card decals pasted on the glass! As you walk past the color televisions, you realize the folks at CANEX have got a good thing going. And that's just the tip of the iceberg...

By JAY BLUCHER
Associate Editor

CANEX PATRONS ARE SUBTLY reminded of their credit benefit each time they browse the shelves.

OTTAWA — "There's no life like it," proclaims the TV commercial, the Canadian Armed Forces' equivalent of the U.S. Army's "Be All That You Can Be" jingle. In both countries, military service is voluntary, so the commercials are supposed to whet the appetite of restless and spirited youth for the benefits of a life in uniform.

Servicemembers in Canada and the U.S. enjoy lifestyles deceptively alike, so it's easy for an American visitor to assume that "quality of life" issues like exchange and commissary shopping privileges are the same, too. But while there are many similarities between the Canadian resale system — CANEX — and our own, there are as many if not more dissimilarities.

The differences abound through every echelon of operations. A visitor quickly learns that they do things a *lot* differently up here.

Canadians display the same penchant for acronyms as their resale neighbors to the south, but they have fewer of them to contend with. CANEX, for instance, stands for the Canadian Armed Forces Exchange System.

Once you know that one, you're home free, since CANEX is the big one, the only show in town — the resale giant if ever there was a resale giant. Up here, it's all done under one roof, the CANEX roof. At the national level, with military management at the top, it's a single centralized organization to manage *all* base exchange and commissary operations. There's no separate AAFES, NAVRESSO, MCEX, or Coast Guard NAFA counterparts for the Canadian exchanges, and certainly not a TSA, AFCOMS or Marine Corps commissary services branch.

At the local level, all resale operations fall under the responsibility of the base exchange officer, who's answerable to the base commander. Nationally, CANEX answers to the folks at the Department of National Defense headquarters, the Canadian counterpart of DoD.

There's one other difference, but it's only a matter of semantics — they call them groceterias up here, not commissaries. But what the Canadians call a groceteria, Americans would probably term a convenience store or maybe a shoppette. Multi-million dollar facilities with solar heating and the most progressive display techniques in the grocery realm are nowhere to be found in CANEX. As MILITARY MARKET learned during a four-day visit, there's no place for that sort of thing up here.

What's even more curious is that there aren't even any plans to build multi-million dollar facilities. Not now, not next year, not ever.

'Nice, Small and Manageable'

"We kind of like things exactly the way they are — nice and small and manageable," says Col. Ronald E. Powell, who as director of CANEX holds the system's top job.

"The original concept for establishing CANEX was to operate a system with the minimum of public support. We asked ourselves, 'What would there be if there was nothing else there?', and we go with that. One of the first things you have to realize about our system is that we are a service to our troops. Convenience of location and just having the goods available sometimes takes precedence over how much savings we offer."

That sums up quite a bit of what MILITARY MARKET encountered when we set out to find out more about our resale neighbors to the north. CANEX is definitely small. The patrons will tell you it's quite nice. And it's certainly manageable. But then again, with a total active duty military force of perhaps 80,000, there's no need for mammoth stores, grandiose headquarters buildings, or opulence of any sort.

CANEX patrons may not enjoy the most lavish of facilities, but they do reap distinct and tangible benefits from two very important and fundamental differences between their resale system and our own — credit cards and a lack of stockage limitations.

CANEX Credit Up Close

A Canadian servicemember can walk into any CANEX exchange and use a Visa or MasterCard credit card to their heart's content. Credit has been an integral part of CANEX operations virtually since its inception as an organization in 1967.

The founding of CANEX followed the unification of the three Canadian services — air, mobile and navy — into the Canadian Forces. What the U.S. military refers to as the "purple suit" concept has been in place since then, but the Mulroney-led Conservative party now in power has proposed a return to separate uniforms for each service. Currently, members of each service wear the same basic green uniform, with only subtle uniform differences, mostly badges and insignia, to differentiate among the three branches.

That little piece of drastic plastic known as the credit card is probably the single most distinguishing difference between CANEX and American exchanges. They got 'em. We don't. They've always had 'em. We want 'em, now.

CANEX "started out with our very own CANEX card in 1967 that allowed the soldier to charge their purchases in the exchange," explains Gord Peacock, risks funds manager for CANEX.

But the system ran into problems managing its own credit card program. "There were not enough internal controls," says Peacock. "When someone got behind or ran into a debt problem, everything came back to us [CANEX]. It quickly became obvious to us that the only way to go was with a bank-issued credit card."

Sales of CANEX Exchanges FY 1983-84

BRITISH COLUMBIA REGION	
CFS Baldy Hughes	$77,713
CFS Beaverlodge	59,061
CFB Chilliwack	1,025,640
CFB Cold Lake	3,279,155
CFB Comox	1,376,134
CFB Edmonton	824,101
CFB Esquimalt	1,966,481
CFS Holberg	384,374
CFS Inuvik	581,761
CFB Det. Jericho	0
CFS Kamloops	64,174
CFS Masset	407,688
SUB-TOTAL	**$10,046,282**
PRAIRIE REGION	
CFS Alsask	66,576
CFS Beausejour	356*
CFS Calgary	1,602,585
CFS Dana	114,198
Dundurn Det.	50,584
CFS Gypsumville	174,775
CFB Moose Jaw	293,510
CFB Penhold	116,689
CFB Portage	119,301
CFB Shilo	1,377,209
CFS Sioux Lookout	118,617
CFB Suffield	686,913
Wainwright Det.	930,789*
CFB Winnipeg	1,098,535
SUB-TOTAL	**$6,750,636**
ONTARIO REGION	
CFS Aiert	351,868
CFB Borden	3,226,370
CFS Carp	49,950
CFS Falconbridge	110,111*
CFB Kingston	1,415,655
RMC Kingston	0
CFS Leitrim	47,281
CFB London	152,816
CFS Lowther	79,066*
NDHQ/AU	313,701
NDMC	198,119
CFB North Bay	336,030*
CFB Ottawa	6,370,945
CFB Petawawa	2,990,760
CFB Toronto	440,131
CFB Trenton	1,838,227
SUB-TOTAL	**$17,921,031**
QUEBEC REGION	
CFB Bagotville	305,660
CFS Chibougamau	168,411
CFS Lac St. Denis	75,955
CFS Moisie	86,181
CFS Mont Apica	75,567
CFB Montreal	1,433,934
CFS Senneterre	84,669
CFB St. Jean	1,161,693
CFB Valcartier	1,889,783
SUB-TOTAL	**$5,281,853**
ATLANTIC REGION	
CFS Barrington	125,398
CFB Chatham	622,183
CFB Cornwallis	2,921,057
Debert Det.	82,943
CFB Gagetown	2,861,611
CFS Gander	195,569
CFB Greenwood	1,554,628
CFS Goose Bay	589,731
CFB Halifax	1,567,010
CFB Moncton	82,656
CFB Shearwater	1,244,195
CFS Shelburne	165,599
SCFS St. John's	150,538*
CFS Sydney	121,997*
CFB Summerside	517,808
SUB-TOTAL	**$12,802,923**
TOTAL CANADA	**$52,802,725**

* Includes grocery sales

NOTE: Excludes sales of overseas CANEX stores (Germany and Bermuda)

Today, CANEX exchanges honor both Visa and MasterCard, although the groceterias are forbidden by law to offer credit for food purchases. Service stations and gas bars also honor credit cards. And, since 1984, credit cards have been honored at CANEX's Lahr, West Germany exchange.

Although there are no specific figures available about the extent of credit card use among Canadian military personnel, as of Jan. 1984, Canadians had more than $5 billion worth of debt on credit cards, at interest rates that range from 18 percent to nearly 29 percent a year.

[Note: All dollar amounts quoted in this story are based on Canadian dollars, which at the exchange rate at presstime was pegged at $1.36 against the U.S. dollar.]

With an growing number of card-carrying Canadians walking around, an estimated $50 billion was charged in 1984. The credit card companies up here make it easy, too. There's no waiting list for a major card. Gone are the days when Canadians had to wait weeks to get their cards. New high-volume computerized authorization systems using mathematical modeling techniques often approve credit applications on the spot, and the piece of plastic arrives in days.

Signs on the Shelves

CANEX's patrons are frequently reminded that their exchange system honors plastic money. "When you walk into any exchange, one of the first things you notice is the credit decals in the exchange window, and then if that's not enough, we place tiny credit card signs directly on the shelves to remind them to use it," beams Maj. John Richardson, the base exchange officer at Canadian Forces Base Ottawa South.

Virtually everyone that MILITARY MARKET talked with about the credit card issue told us that credit cards posed absolutely no problem or hindrance to CANEX operations. Echoing other comments, CANEX Director Powell says, "The level of credit debt has never posed a problem for CANEX since we went to national cards."

A visitor gets the impression that CANEX goes out of its way to serve its patrons. Besides accepting national credit cards, individual stores also offer a local form of credit to exchange patrons. A soldier can be extended 90 days of credit on a major purchase with a $100 minimum and a $1,500 maximum ceiling. With a 25 percent down payment and three equal monthly payments, the servicemember can walk out of the store with goods in hand. "The only restriction on this policy is that it's not portable — they have to settle up before they are transferred or move on," explains risk funds manager Peacock.

"It's as good as cash," acknowledges a young Canadian enlisted soldier, emerging from CFB Ottawa South with a color television in tow, newly purchased using the local credit plan.

Despite the credit option, Peacock tells MILITARY MARKET, "Our troops use it, but I really couldn't tell you how much of a difference it's made in our sales since we went to the bank cards. I'd have to say that it's a fairly low percentage of our total sales that is charged on the cards. The local credit program is quite popular as well."

The statistics confirm Peacock's guessstimate. In 1984, national credit card sales accounted for something over $16 million in sales for CANEX — only 6.5 percent of systemwide sales. MasterCard totaled more than $4.8 million, while Visa accounted for $11.1 million. That may not sound like a lot, but then CANEX's sales total of $250 million pales in comparison with AAFES or NAVRESSO.

The financial aspects of managing credit card accounts within CANEX take place at Ottawa headquarters. "Both the Visa and MasterCard credit card bills come to this main office," explains Peacock. "We handle the total bills all at once. We write one check each month to Visa, and one check to MasterCard, and then we credit each of the individual base accounts, which keeps a running account of their credit card sales. We get a forces-wide sales rate on our credit program here. All the money comes here from the individual bases and stays in one central fund here at headquarters. We get a better discount that way — instead of 4 percent, it's only 2 percent."

BACK-DOOR DELIVERIES, such as this one to an Ottawa CANEX grocateria, are standard practice.

CANEX folks have a difficult time understanding what all the fuss is about over proposals for credit cards in U.S. exchanges. They've had credit programs for a long time, with very few problems. Everyone that MILITARY MARKET talked with at CANEX headquarters felt that credit cards were hardly an "issue" at all, just part and parcel of doing business. The headquarters folks tell us they actually don't give credit much thought. Their mission is mostly one of guidance for the various exchanges.

"If a question comes up from a base exchange officer or there's some sort of problem, then we get involved, but each one of our stores is actually quite autonomous," says Maj. Xavier McGillivary, policy and administration director for CANEX

"Frankly, not very many questions or problems with credit ever turn up at all. We like having it, it's no hassle, and our people certainly like it as well."

No CPLs or Stock Restrictions

The other big difference between the Canadian resale system and the U.S. one is that CANEX outlets are free to sell whatever they want. There's no maple leaf equivalent of a House Armed Services Committee's Morale Welfare and Recreation Panel to set cost price limitations, or even to determine what products the stores may or may not sell. Refrigerators, freezers, ranges, ovens, color televisions are all available. The whole spectrum of potential products is wide open and unrestricted.

"Of course, a lot of what you decide to carry in your store depends upon the makeup of your base," Maj. Richardson, the base exchange officer at CFB Ottawa South, tells MILITARY MARKET.

Ottawa South serves a large number of retirees, so "In my situation, for example, there's really not much of a demand or need for me to carry a large assortment of furniture. But I certainly have that option if I wanted to." CANEX outlets sell *real* furniture, not the knockdown variety.

The idea that a group of elected officials, with little contact with or experience in the exchange system, could dictate to the Canadian forces what they may offer for sale in their exchanges is both totally foreign and inconceivable to them. Says Powell, incredulously, "I just can't *imagine* myself having to appear before a committee of your Congress just to get approval to sell a line of sporting goods!"

In fact, when you try to explain to CANEX officials how the American exchange system differs in this respect — how our stock assortments are formally regulated by Congress and informally influenced by the wishes of the retail community via lobby groups — the reaction is usually, "Say, what?".

"Thankfully, our only restraint is the marketplace itself," explains CANEX Director Powell. "We decide, or I should say our base exchange officers decide, what to carry, but there are no legislative limits or parameters whatsoever."

CANEX types don't really think of themselves as competing with Canada's private retailers, either. Richardson sees the relationship between his exchange at Ottawa South and private department stores in downtown Ottawa as a very special one. "I think the retailers look at us as just another discounter, and not any great competition, per se. We provide what our patrons and families need. We're not out to compete with the heavyweights."

Little Taxpayer Support

When MILITARY MARKET asked Powell about what sort of public support monies (appropriated funds, in U.S. vernacular) CANEX receives, he jokes, "You're looking at him." Salaries for the six military members in the head-

IN WHAT MAY SOON BECOME a common sight in ConUS exchanges, personal computers beckon to CANEX patrons.

quarters staff (which is all of 61 people), are paid from public funds. Although he does not know the exact figure for taxpayer support of CANEX, Powell says he believes it was somewhere in the neighborhood of $25 million in 1984.

"There's some manpower and personnel support, and at a few of our more remote bases they are subsidized almost 100 percent, but otherwise the CANEX operation is totally self-supporting.

"We build and maintain all of our own facilities from CANEX funds exclusively. The taxpayer support is so minimal that we hardly even think about it here at headquarters. There's never any of the funding crisis that you folks have to worry about each year to support your commissaries.

"Thank goodness for that . . . ."

Excluding a pair of overseas stores, CANEX had FY 1983-84 (October to October) systemwide sales of $222.9 million, with net revenue of $10.9 million. CANEX officials at Ottawa headquarters are estimating 1984-85 sales to be about $250 million. Most profits go to troop support; the net revenue (profit) portion of CANEX's sales mostly remains at the unit level to support morale, welfare and recreational activities. Up here, the priorities for recreation activities differ just a bit from our own — hockey rinks, curling clubs, and golf organizations enjoy a far greater measure of popularity than south of the border.

'Locally Controlled Scenario'

CANEX employs roughly 600 full-time and 1,300 part-time non-public funded staff. Virtually all of the part-timers are hired from local civilian and dependent populations in the areas surrounding the bases.

CANEX headquarters in Ottawa oversees 67 retail stores, two combination grocery/gas bar stores (self-service gas stations), 11 groceterias, 50 expressmart convenience stores, 27 service stations (of the full service variety), 44 gas bars, 118 restaurants, coffee shops, cafeterias and snack bars, and 35 vending operations.

CANEX also offers personal property insurance for its servicemembers who are residents of single and married quarters on its bases; policies are for $25,000 worth of protection for less than $40 per year. The insurance goes by the snappy acronym CANSUREX, and its intent is to protect the sizable investments many young Canadian soldiers make in high-ticket items like stereo equipment (naturally, all of which is purchased in the local CANEX exchange!).

In addition, the CANEX headquarters staff supervises the activities of more than 260 concessionaire operations, broken down as follows: 108 barber shops and beauty salons; 42 restaurants, coffee shops and snack bars; 29 credit unions and banks; 11 tailor shops; 10 dry cleaning outlets; eight doctor's and dentist's offices (family members are not covered by military medical and dental benefits in Canada); four vending operations; four newstands, four amusement parlors and 40 miscellaneous outlets like income tax offices, cobbler shops and insurance offices.

Powell tells MILITARY MARKET, "Our total market picture is maybe a couple hundred thousand at best — 80,000 active duty troops, with the rest made up of Reserves (who may shop during their annual summer training), retired servicemembers and our Royal Canadian Mounted Police. It's an awfully widely-dispersed and spread-out market."

The Mulroney-led government recently signed legislation giving the Mounties full CANEX shopping privileges for the first time in their long and colorful history. "Those Mounties deserve it — some of those guys are really stationed in some isolated outposts. I was glad to see they were allowed to start shopping in our stores," says Powell.

'Proud to be No. 280'

Powell says that if CANEX were to be ranked as a national retailer, it would come in 280th place. But they really don't think of it this way. "As you can see from that, we're not really much competition for the civilain retailers, and then again, we really don't try to be.

"We're proud that we're No. 280 — at least we're in the top 500!

"Basically, CANEX is there to be a service to our troops — a convenience and a service to the troops and their families. We are not so concerned as your exchange systems seem to be with saving the patrons as much money as possible. Sure, we save them money, but it's not the be-all, end-all goal, as I sometimes feel your [exchange] systems perceive it.

"The private retailers of Canada look upon CANEX as just another retailer, not an adversary and not as a huge competitior that's siphoning off their business."

CANEX doesn't always offer the lowest prices in town. It often does, but the CANEX folks will be the first to tell you that sometimes the private retailers beat them to the punch. The curious thing about the CANEX mindset, however, is that it really doesn't seem to bother these folks if Canadian servicemembers shop downtown. Or at least it doesn't to the same degree it gets under the skin of their American counterparts in Dallas, Staten Island and Quantico.

Says Powell, "We do [price comparison] surveys on the local economy. Our policy is that CANEX will match the lowest retail price available within our market area. It will be the best regular price, but we are not out to undercut them [private retailers].

"If we are doing our job correctly, and we've got the product available, it will be the best possible price for the product. We can't always match retailers' sale prices or loss leaders, but I'd say we definitely save our patrons a lot of money across the board. I can't give you a set percentage and say we save our patrons such and such amount. It varies, but I know they save. It's a very locally controlled scenario."

Powell views the CANEX market picture as essentially static. "We are not seeking to enlarge our market, only serve it better to the best of our ability. We have an extremely good relationship between CANEX and the civilian retail world. We don't want to do anything to upset that delicate balance."

A Varied Personnel Structure

The military may occupy most of the top slots in the CANEX organizational chart, but civil service workers are the nuts 'n bolts of CANEX operations. Says Powell, "CANEX may be managed by uniformed personnel, but it's run by the civilians."

In the organizational chart for the Department of National Defense, CANEX falls under the auspices of the Chief of Personnel Services, which oversees compensation and benefits, dependents' educational programs, recruiting and chaplain services — what in the U.S. are referred to as "quality of life" issues. The director of CANEX is on equal footing with the director of non-public fund services and the director for physical education, recreation and amenities. Each of these directorates is staffed with a large contingent of civil service workers.

The civilian personnel system in CANEX is vastly different from the ones found in the U.S. exchange and commissary systems, and in yet another contrast with our own systems, no universal rate structure exists for CANEX's civilian employees, such as our own GS/WG ratings for appropriated fund employees, or the UA/HPP system for non-appropriated fund workers. Since each base "stands on its own" within CANEX, local base commanders and base exchange officers have ultimate authority over their civilian employees.

Most civil service workers in CANEX are non-public funded employees; only a handful — five headquarters civilians — are paid by public (tax revenue) funds. Civilian wages are based on performance, merit and regional wage scales — there are no universal grades, automatic step increases, or guaranteed cost of living allowances, although at some individual bases negotiated agreements between base commanders and civilian employees may include some or all of the above.

UKE ITS U.S. counterparts, CANEX offers a limited number of private label products, such as these CANEX-brand panty hose.

There are three different categories of NPF employees within CANEX. Category I employees comprise the bulk of NPF personnel, with most lower-level exchange workers and some supervisory staff falling under this heading. Most Category I workers are represented by independent bargaining unions, which negotiate wages and salaries for their members with local base commanders (typically lieutenant colonels) and base exchange officers (typically junior-level captains).

Category II civilian employees are managerial and professional workers such as store managers, food service managers or grocery store managers at the individual stores.

Category III NPF employees are executive civilian workers, who formulate CANEX policies and directives at the headquarters level.

"Salaries and wages for these employees are totally up to the local base commander," explains Maj. Kevin Maloney, industrial relations director for CANEX. "The local base exchange officer and perhaps an assistant or two are essentially the only military representation at the local store level. The rest are all civilians. It's as if it were a military-*owned* business, but a civilian-*run* operation."

In a scenario which would be envied by many U.S. civilians, CANEX's civilian employees in some instances find themselves placed in positions of authority *over military members* in the CANEX pecking order. For example, the director for non-public fund activities is a civilian NPF-employee, who oversees some headquarters-level section heads who are military.

Paying Taxes

Here's something to be envied by every state in the U.S.: CANEX pays provincial (state) taxes. With such an arrangement, it's no wonder CANEX encounters no problems from provincial governments claiming that the resale organization is dodging its fiscal responsibilities.

According to Powell, "CANEX must comply with provincial tax regulations in each province where we run exchanges." Taxes vary with each province, with some provinces collecting no taxes, and others in western Canada collecting larger levies.

"We look upon it as just being a good citizen. CANEX is just like any other retailer in this respect, and many other respects as well. We choose to do that. We feel that since we operate in that province, we have an obligation to that province. The tax money is turned over to the provincial governments."

Powell likens CANEX's organization to NAVRESSO exchange operations, though he says that from what he reads and hears about the way the U.S. Marine exchanges operate in the field, "Things are especially similar in the large amount of latitude and discretion given to the base exchange officers in both CANEX and your Marine Corps' systems."

Most of CANEX's purchasing is decentralized. The bulk of buying decisions are made at the base level, exactly the way Marine Corps' exchanges operate. CANEX headquarters in Ottawa is instead concerned with overall supervision, policy and financial operations for the system. Some larger purchase agreements are hammered out at the headquarters, but Powell categorizes these transactions as "exceptions rather than the rule."

CANEX operates only one major overseas exchange — in Lahr, West Germany — supporting about 3,000 active-duty Canadians stationed in that country. A smaller store is in Bermuda.

Unlike its American counterparts, transportation costs for goods shipped

(Continued on page 43)

JOE JEU, head of the commercial services branch . . .

The Marine Corps Commissary Service Branch

A little office with big plans.

By ANNE ROKETENETZ
Associate Editor

IN A CRAMPED SIXTH floor office in a Rosslyn, Va., highrise, the headquarters staff for Marine Corps commissaries -- all two of them — joke about where to put a computer terminal.

"We think we can just build a double-decker type thing," Joe Jeu, head of the commercial services branch and half of the staff, says with a laugh.

Across the room from him, the other half of the headquarters crew, "deputy assistant" Pam Pervier, smiles when a visitor suggests that a loft be built for the new equipment. The computer will be part of the Commissary Service Branch's new Management Information System.

Though Jeu and Pervier have tenures of under a year in the Marine system, they're hardly lacking in experience when it comes to commissaries. Both made the switch from the Army Troop Support Agency to the Marines in 1984. As a staff of just two, they have big plans.

"The difference between [us and] the other services is that they have directorates for everything: resource management, automation, construction, operations," explains Jeu. "They all have large staffs that specialize in all this."

But at the Marine Corps," he adds, "there are only the two of us."

At the moment, "the two of us" are busy planning for the management information system they expect to have within the next two years. Jeu told MILITARY MARKET during a recent interview that though the project has required much effort for both him and his partner, it's not actually new at all, but an extension of the computer system already in operation at the service's East and West Coast complexes.

. . . AND PAM PERVIER, "deputy assistant" and the other half of Marine commissary headquarters.

The enlargement of the system will let them tap into the regions. It will also provide a means of automating accounting, procurement, and inventory control, and will provide management information and productivity reports.

"The computer system is necessary to increase productivity," he says, adding that, "I think labor savings alone will pay for it." It could cost as much as a million dollars.

The management system is only one of several plans Jeu and Pervier have in the works. Scanners could be in all Marine commissaries within two years. "We feel that the scanner is very badly needed, so we have prioritized our program. It's not a matter of whether we have more money. Rather, we have rearranged our priorities."

The first part of the priority rearrangement has been changing construction plans, cutting back on some.

The Marines are also nickle-and-diming it to conserve funds. An example of this is the elimination of the logos which some commissaries print on their grocery bags, estimated to be $5,000 to $10,000 a year at one commissary alone. They're also doing away with double-bagging when possible, and encouraging people at the store level to save on any and all expenses they can. "The less money you spend on expenses, the more you have toward operational equipment or construction," says Jeu. "I think little things just add up," he adds.

Jeu and Pervier are also conducting manpower surveys within the service's stores in an effort to develop staffing criteria. "We have no management programs because we are so small," he says. And he hopes when the surveys are finished, the data can be coupled with data from the other services, and criteria tailored specifically for the Marines can be developed.

Seven months earlier, Joe Jeu sat behind a desk in a Pentagon office, at the Army Deputy Chief of Staff Logistics. While there, he says, he did very little in the way of decision-making when it came to policy changes affecting commissaries. And though he says he enjoyed his work with TSA and Army commissaries, the move to the Marine Corps has given him more freedom in decision-making.

"I like my job very much, because here I'm involved with every facet of commissary operations. I am really managing the program here. We make decisions that affect commissaries. It's very challenging and also very rewarding."

Pervier, who first stepped into the resale business as an intern with TSA, says the switchover from one service to another was also relatively easy for her. It has provided her with a greater opportunity for gaining operational experience. "I came from a different level than Joe did," she notes. "I came from regional headquarters after 5½ years. Here I enjoy being more involved in the operational side of things."

Still, both agree that in the beginning there were difficulties in acquainting themselves with the Marine way of doing things. The Marines' greatest uniqueness, says Jeu, is that unlike the other services' commissary programs, theirs is a decentralized system. "The Marine Corps' base commanders are responsible for the commissaries. We manage commissary law and their policies, but we are not involved in day-to-day operations of individual commissaries," he says.

Because there aren't as many levels to deal with, adds Pervier, "our frustrations are not as great as the other services. The other services have a lot of red tape, but because we are so small, many times you can deal on a one-to-one basis. We can solve many problems very quickly."

Pervier says she attributes much of the smooth changeover to Jeu's having experience from the store level on up. "He is in touch with what's going on and what's happening. He knows where things belong and how to handle it," she says, adding that he's also a good teacher.

What does Jeu think of this? "I consider myself an operator first," he says, "so I feel like I understand the needs of a commissary officer. It's so easy to just sit in headquarters and write policy. But I think before I write policy I like to think of what kind of impact it will have on the commissary officer and try to understand their needs. I feel like I am attentive to their needs, while at the same time trying to improve our operations."

In Every System, There are Problems

Despite inherent differences between the Marines and the other services, there are still common problems, says Jeu, and one of the biggest problems now facing the Marines is a lack of resources.

"Though we had a 13.7 percent increase in sales last year — more than any other service — we have not received any additional resources," he explains. Resource increases are going to have to come "through increases in productivity. That's, I guess, our greatest challenge — to continue and try to provide the best possible service."

Marine Commissary Sales
1st quarter FY 1984/85

COMMISSARY	% GAIN
West Coast Complex	
El Toro, Calif.	+14.65
San Onofre, Calif.	+10.04
Camp Pendleton, Calif.	+5.90
Barstow, Calif.	+6.51
29 Palms, Calif.	+8.85
Yuma, Ariz.	+9.50
Average	**+9.96**
East Coast Complex	
Hadnot Point, N.C.	+12.93
Tarawa Terrace, N.C.	+22.58
New River, N.C.	+21.05
Cherry Point, N.C.	+11.31
Parris Island, S.C.	+9.98
Average	**+14.73**
Independent Stores	
Kaneohe Bay, Hawaii	+10.58
Quantico, Va.	+9.62
Albany, Ga.	+0.31
Iwakuni, Japan	+14.06
Systemwide average	**+11.20**

SOURCE: Marine Corps Commissary Service Branch

Part of providing the "best possible service" includes increasing store hours by an entire day per week. This also accounts for the tremendous sales growth. "We increased hours at four stores in the beginning of fiscal year 1984, and then we increased operating hours at Quantico and El Toro in the latter part of the year.

"Wherever we have had an increase in operating hours, sales have increased." And those increases in hours have been done without having to increase staff. "We looked at our scheduling and everything, and through managment information we tried to put people where we really needed them. It was like a rearrangement of our schedule," says Jeu.

"That's why I feel that our employees are doing a really, really super job," he emphasizes. "They have been able to maintain the same service — without having to increase staff."

One thing Jeu and Pervier say they have not had to deal with, however, are the many problems which were predicted to occur when the Marine's average 6 percent surcharge was decreased to 5 percent, though "I think new store construction has hurt a little bit," Jeu admits.

"Although we have had a very vigorous construction program, I feel like we are not really replacing commissaries fast enough. We are opening a new commissary in Barstow, Calif., this September and we want to expand Quantico, Va., this fiscal year. We also plan to build a new commissary at Twentynine Palms, Calif., next fiscal year. I think we could do more in the construction area if it [the surcharge] had remained at 6 percent," he says.

Upgrading Job Levels

Besides his overall goal to improve commissary operations, Jeu also has a personal goal he wants to see materialize sometime in the near future. "I want to try and upgrade some of our commissary officer slots."

The grade structure for commissary officer jobs in the Marines, he says, "is one or two places lower than the Army or Air Force. I feel it is not fair to our commissary officers. My goal is to try and upgrade our commissary officers and complex directors a grade," he says.

The current grade structure for commissary officers in the Marine Corps system ranges from GS-10 to GS-12. Jeu would also like to upgrade his complex officers to GS-13 on the east coast and GS-14 on the west coast, if possible. He'd also like to upgrade Pam Pervier's commissary program analyst slot from GS-12 to GS-13. All this, he says, "is my goal within the next six to twelve months."

Jeu has already been successful in upgrading commissary officer slots at Tarawa Terrace and Hadnot Point (both at Camp LeJeune, N.C.), and is working on upgrading the slot at Parris Island, S.C.

His reasoning for the upgrades is his philosophy that people should be paid for what they do. "I am really, really impressed with our people. I know deep in my heart that we have the most efficient commissary operation within DoD." MM

CALIFORNIA

(Continued from page 35)

aren't giving those guys [AFCOMS] daily direct store deliveries out of the goodness of their hearts. That money is being made elsewhere, and I believe it's [being made] on the back of the retailers."

His association's members are also concerned with annex operations, especially those which resemble convenience stores and are built in housing areas. CGA believes these are siphoning off sizable sales from private grocers.

[Whether CGA is confusing AAFES and Navy exchange shoppette operations with commissaries is unclear. Commissary annexes and exchange shoppettes are often lumped together by many private grocers.] Says Beaver, "I was driving down the road one day [about four years ago] and I saw this huge banner adorning the side of a commissary that says, 'We Will Not Be Undersold By Anyone.' Now, just what is *that* supposed to mean?

"Things like that only inflame our members. It's tough enough that they already have to live with the prices being offered to the commissaries being so incredibly lower than their own, but it's almost as if they're trying to rub our noses in it. Our members have pride, too."

Better Run by Private Grocers

As one might expect, Beaver believes that private grocers could do a better job of running the commissaries than the military does. He says, "The government has no business being in the grocery business. We feel that privates can do a better job, with more efficiency, and better service."

But when MILITARY MARKET asks Beaver the crucial question of whether the private grocers could continue to offer the patron at least a 20 percent savings, Beaver frankly replies, "I doubt it."

He quickly follows up: "How about if we made up the difference by giving them [soldiers] more in their paychecks to cover the difference [between shopping at the commissary and off-base]? Well, we suggested that, but the Pentagon got wind of that one, and nixed the idea before it even got off the ground. The Pentagon has its tentacles everywhere. You talk about lobby groups? The Pentagon is one of the biggest."

Beaver is undaunted, however. He believes that the commissaries' game plan has been changing in the last few years, and he's set out to do something about it. "The commissaries are big. They are now the equal of any retail operation. They weren't content with what they had. They represent a lot more than just smalltime competition [to CGA] now. They even are allowing Reservists to shop in there now.

"What are they trying to prove? I think they're running a bit scared that their sacred cow might be endangered, so they are trying to pump up the numbers of patrons to justify their continued existence. It's a disgrace, and we're not going to take it anymore." MM

CANEX

(Continued from page 40)

overseas are borne by suppliers, not CANEX — and certainly not Canadian taxpayers. Explains Powell, "Additionally, we have no fancy distribution system in CANEX. We don't even have *any* distribution system for that matter — not even a warehouse. All of the products go directly to the individual stores. We don't ship or transport anything. That's totally up to our suppliers."

Drop CANEX in AAFES' Numbers

Powell admits that sometimes he looks at the gargantuan distribution system of AAFES with envy and admiration. "We have nothing like that. But then again, it's expensive to do something like that, to run a nationwide distribution system. It's quite impossible for us to do that, logistically. They [AAFES] have a lot of money tied up in inventory. We do not. In one end of the store and out the other. We don't have to mark up the merchandise quite like your AAFES does, either."

But as Powell reflects on some of the sales figures emanating from Dallas, he shakes his head. "It boggles my mind, some of the numbers I see from your Dallas. I can't even begin to comprehend such sales figures. You could drop the whole of CANEX inside those numbers."

Yet he also sees the other side of the coin — the cost of operating such a distribution system, both the costs to the system and the eventual cost to the patron. "There are serious tradeoffs to both our systems. Manufacturers sometimes are only going to give CANEX the product we want in the quantity we want on a one-time basis."

"We are essentially a service organization, and CANEX will grow in response to the needs of our military, not in response to any plans or internal needs of its own," Powell continues. "We are not out to improve our standing. It won't break our backs if we drop to No. 300. The important question is, 'Are we serving our customers needs?' "

The *raison d'etre* for CANEX [like everything else in the Canadian government, the system is totally bilingual] derives from Section 38 of the National Defense Act. Its mission is simple: "To support personnel readiness by providing convenient and reliable sources of goods and services through attractive resale facilities to Canadian Forces personnel and their dependents at favorable prices, and thereby generate profits to support morale, welfare and recreation programs." This has been expanded by Parliament to include the Mounties and the Reserves.

A Low Profile Outfit

CANEX's headquarters building at 245 Cooper St. in Ottawa looks like any other office building in the business district of the capital city. There's no corporate facility with snazzy logos or flags flying out the front. No one would guess it was the CANEX building unless they looked at the building's lobby directory. "This is definitely a low profile outfit," admits Maj. McGillivary, the policy and administration director, "but I guess you could say that about the entire organization."

Like AAFES, CANEX functions with a board of directors, made up of the commanders of the operational commands (three-stars from air, mobile and navy), an assistant deputy from one of these three commands (the job rotates among them), one vice chief (also rotating among the commands), and one assistant deputy minister of finance, the only civilian on the board.

The board meets twice a year. "I give them a status report on CANEX," explains Powell, "sales figures, trends, our plans for the future, etc."

An aspect of the CANEX world which has no American equivalent is the annual CANEX Trade Show. This brings all of the CANEX suppliers, base exchange officers and various resale officials from across this frozen country together in Ottawa under one collective roof. This year's show was scheduled for April 30 and May 1.

The buying contingent at CANEX headquarters consists of three full-fledged buyers and two assistants, all civilians with retail-world experience in purchasing before coming on board with CANEX. "They are quite busy during the trade show, but again, they're not busy buying, just busy observing and making mental notes," says Powell. MM

Military Market Index

		JANUARY			YEAR-TO-DATE		
Commissaries		CY'85	CY'84	%	CY'85	CY'84	%
Air Force	CONUS	$154,955	$142,829	+8.49	$154,955	$142,829	+8.49
	OVERSEAS	30,574	27,581	+10.85	30,574	27,581	+10.85
	TOTAL	**185,529**	**170,410**	**+8.87**	**185,529**	**170,410**	**+8.87**
Army	CONUS	106,470	98,595	+7.99	106,470	98,595	+7.99
	OVERSEAS	31,710	31,080	+2.03	31,710	31,080	+2.03
	TOTAL	**138,180**	**129,675**	**+6.56**	**138,180**	**129,675**	**+6.56**
Navy	CONUS	55,723	53,030	+5.08	55,723	53,030	+5.08
	OVERSEAS	6,557	5,978	+9.69	6,557	5,978	+9.69
	TOTAL	**62,280**	**59,008**	**+5.55**	**62,280**	**59,008**	**+5.55**
Marines	CONUS	14,343	12,460	+15.11	14,343	12,460	+15.11
	OVERSEAS	235	174	+35.06	235	174	+35.06
	TOTAL	**14,578**	**12,634**	**+15.39**	**14,578**	**12,634**	**+15.39**
Coast Guard	CONUS	291	233	+24.89	291	233	+24.89
	OVERSEAS	323	250	+29.20	323	250	+29.20
	TOTAL	**614**	**483**	**+27.12**	**614**	**483**	**+27.12**
All Commissaries	CONUS	331,782	307,147	+8.02	331,782	307,147	+8.02
	OVERSEAS	69,399	65,063	+6.66	69,399	65,063	+6.66
	TOTAL	**$401,181**	**$372,210**	**+7.78**	**$401,181**	**$372,210**	**+7.78**
Grocery Stores	U.S.[1]	**$21.494 bil.**	**$19.918 bil.**	**+7.91**	**$21.494 bil.**	**$19.918 bil.**	**+7.91**
Exchanges							
AAFES	CONUS	$185,785	$189,951	-2.19	$185,785	189,951	-2.19
	OVERSEAS	135,388	139,345	-2.84	135,388	139,345	-2.84
	TOTAL	**321,173**	**329,296**	**-2.47**	**321,173**	**329,296**	**-2.47**
Navy	CONUS[2]	62,350	60,367	+3.29	62,350	60,367	+3.29
	OVERSEAS[2]	30,558	27,904	+9.51	30,558	27,904	+9.51
	TOTAL[2]	**92,908**	**88,271**	**+5.25**	**92,908**	**88,271**	**+5.25**
Marines	CONUS	20,858	16,579	+25.81	20,858	16,579	+25.81
	OVERSEAS	4,344	3,588	+21.07	4,344	3,588	+21.07
	TOTAL	**25,202**	**20,167**	**+24.97**	**25,202**	**20,167**	**+24.97**
Coast Guard	CONUS[3]	5,138	4,895	+4.96	5,138	4,895	+4.96
	OVERSEAS[3]	444	612	-27.45	444	612	-27.45
	TOTAL[3]	**5,582**	**5,507**	**+1.36**	**5,582**	**5,507**	**+1.36**
Mail Order	CONUS[4]	1,054	1,496	-29.55	1,054	1,496	-29.55
	OVERSEAS[4]	2,863	4,018	-28.75	2,863	4,018	-28.75
	TOTAL[4]	**3,917**	**5,514**	**-28.96**	**3,917**	**5,514**	**-28.96**
All Exchanges	CONUS	275,185	273,288	+0.69	275,185	273,288	+0.69
	OVERSEAS	173,597	175,467	-1.07	173,597	175,467	-1.07
	TOTAL	**$448,782**	**$448,755**	**+0.01**	**$448,782**	**$448,755**	**+0.01**
Department Stores	U.S.[1]	**$7.590 bil.**	**$7.256 bil.**	**+4.57**	**$7.590 bil.**	**$7.256 bil.**	**+4.57**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

NOTE: 1984 Army sales data for commissaries has been adjusted to reflect revised data received from the U.S. Army Troop Support Agency.

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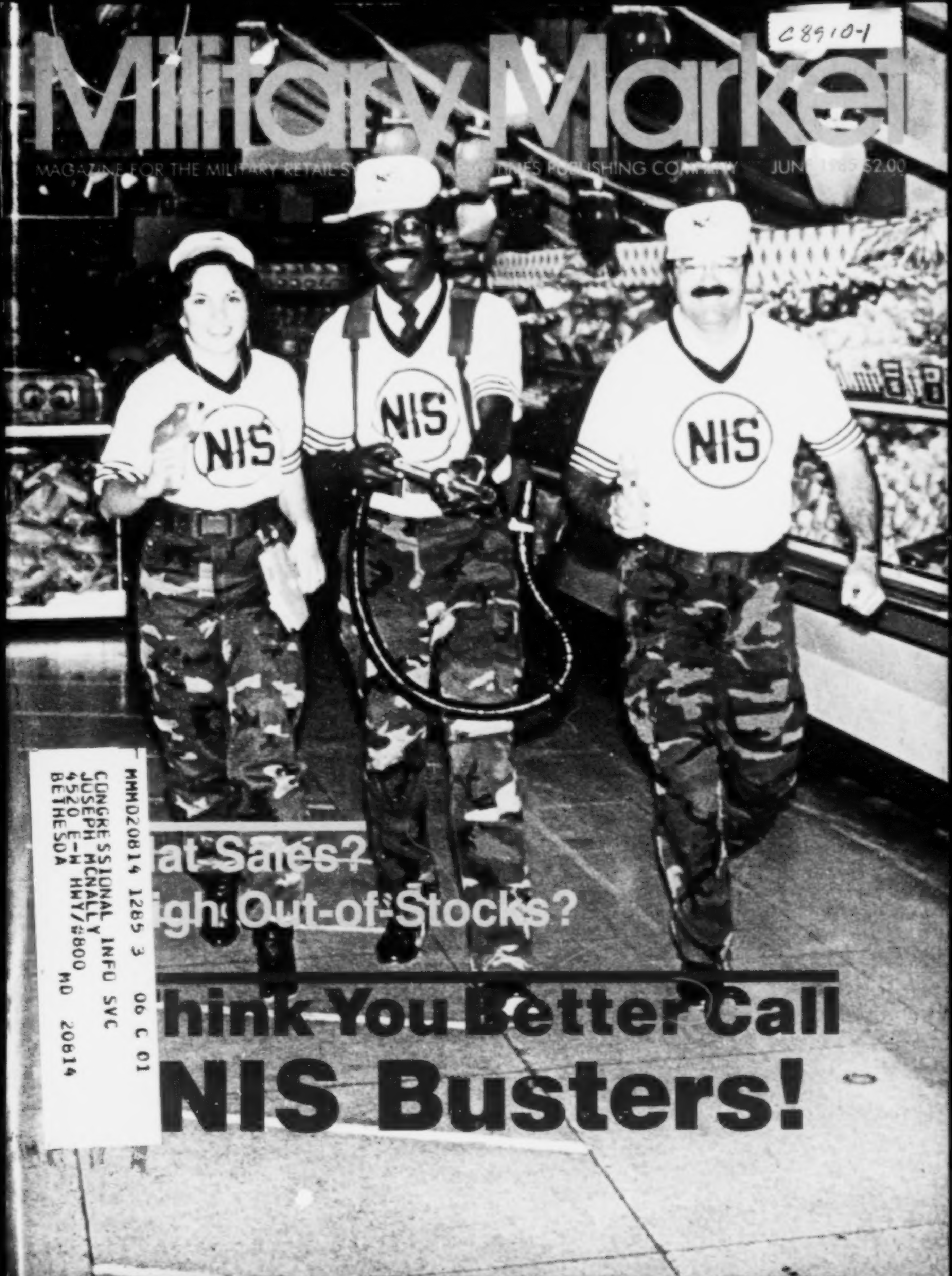

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Military Market survey

Commissary Mobility Program

"It's A Lot to Ask Me to Give Up"

TO SAY THE LEAST, there are a lot of Navy commissary folks who are not pleased about NAVRESSO's recently-announced Navy Commissary Civilian Mobility Program.

Behind the new policy is the ongoing drive within NAVRESSO to place more civilians in commissary positions that customarily have been staffed by military members — the "civilian substitution" program.

The policy, set forth in a NAVRESSSO Instruction dated January 23, 1985, requires newly-employed civilians in the GS-1144 series, grades GS-8 through GS(GM)-14, to sign mobility statements as a condition of employment. It also contains a corollary that a civilian who signs the mobility agreement and subsequently refuses to be geographically reassigned can be terminated.

Current employees in the same civil service series, which covers a wide range of commissary positions (including commissary store managers and department heads such as grocery and meat department managers), can voluntarily sign the agreement if they wish to become eligible for upward mobility within the Navy commissary program.

For this month's MILITARY MARKET survey, managers generally respond negatively to questions about the new personnel requirement. Although not all of the 44 respondents are critical, 30 indicate that they don't think it is an equitable policy, while only nine believe it is fair. The survey was mailed to 273 Navy commissary civilians, including store managers, meat, produce and grocery department managers, and sales floor, front end and warehouse department heads.

Three out of four respondents say they haven't yet signed the mobility requirement, and judging from the emotional volatility and disdain apparent in many replies, it seems unlikely that many of them will ever sign it.

A whopping 40 of the total 44 respondents believe that the policy is unfair and poorly conceived. "An employee cannot forsake everything — their home, family, friends and roots, just for the sake of one lousy civil service job."

Though most people appear opposed to the policy, a few NAVRESSO workers seem to view it as a necessary evil. Some even feel it's long overdue. Says one, "I feel it's an equitable answer to what will be a commissary management problem within NAVRESSO for the next several years. This will give the Navy the leeway it will need to put its best qualified personnel in the areas it feels are necessary. Hopefully, patron requirements will not suffer from what should prove to be a period of drastic change."

But this type of response is the exception. Says another employee: "There are many things to be considered — family circumstances, spouses' health and job opportunities. Just exactly where are we going to be relocated to? In today's market, whether one's home could be sold within 90 days, and at how much of an economic loss, are two very big questions."

Thirty of the 44 respondents believe that 90 days is far too short a notice for relocation. One commissary worker predicts, "I feel this program will result in the loss of some highly qualified personnel, especially for those who have high school age dependents living at home or who are buying their homes and have established any kind of roots at all. It's a lot to ask someone to give up."

Another points out that there shouldn't be inconsistencies among the services' civilian career management programs, asking rhetorically, "What's the big deal? Civilians in the Army and Air Force have been working under a similar policy for years."

Another cautions that NAVRESSO should take a closer look at classifications of its civilian commissary positions to ensure that the Navy's jobs are not classified lower than those in Army and Air Force stores doing the same volume of business.

The final question in this month's survey is an open-ended one which asks for general comments about the new personnel policy. Seven replies are identical. Maybe there's a bit of the collective consciousness at work out there — all seven say, "It stinks!" **MM**

1 — ARE YOU AWARE THAT IN JANUARY, NAVRESSO HEADQUARTERS ISSUED AN INSTRUCTION ON ITS NEW 'NAVY COMMISSARY CIVILIAN MOBILITY PROGRAM'? Yes — 26. No — 18.

2 — IN THE INSTRUCTION, NAVRESSO SAID THAT ALL NEWLY-EMPLOYED CIVILIANS IN THE GS-1144 SERIES, GRADES GS-8 THROUGH GS(GM)-14, MUST SIGN THE MOBILITY STATEMENT AS A CONDITION OF EMPLOYMENT. DO YOU THINK THIS IS APPROPRIATE? Yes — 9. No — 30. Don't Know — 5.

3 — NAVRESSO ASKED THAT ALL CURRENTLY-EMPLOYED CIVILIANS IN THE GS-1144 SERIES, GRADES GS-8 THROUGH GS(GM)-14, VOLUNTARILY SIGN THE MOBILITY STATEMENT. DID YOU SIGN IT? Yes — 5. No — 33. Not applicable — 6.

4 — IF YOU SIGNED THE STATEMENT, DID YOU VOLUNTARILY SIGN IT, OR DO YOU BELIEVE YOU WERE COERCED INTO SIGNING IT? Volunteered — 16. Coerced — 2. Not applicable/Did not respond — 26.

5 — NAVRESSO SAYS IT 'RESERVES THE RIGHT TO MEET MISSION REQUIREMENTS THROUGH REASSIGNMENT OF PERSONNEL' UNDER THIS PROGRAM. DO YOU THINK PERSONNEL RELOCATIONS WILL BE NECESSARY? Yes — 9. No — 24. Don't Know — 11.

6 — DO YOU THINK THAT YOU WILL PERSONALLY BE REQUIRED TO RELOCATE? Yes — 4. No — 20. Don't Know — 20.

7 — ARE YOU WILLING TO RELOCATE? Yes — 10. No — 20. Don't Know — 14.

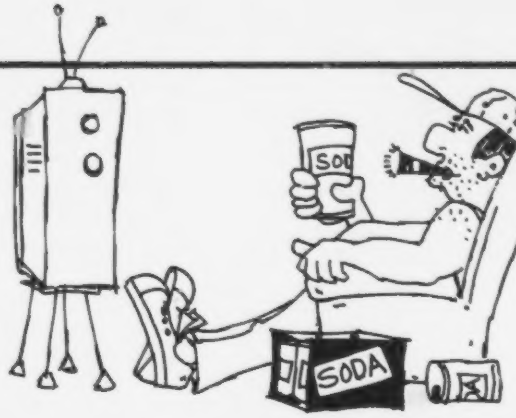
8 — DO YOU THINK THAT 90 CALENDAR DAYS IS SUFFICIENT ADVANCE NOTIFICATION FOR RELOCATION? Yes — 13. No — 30. Don't Know — 1.

9 — UNDER THE PROGRAM, CIVILIANS WILL GENERALLY NOT BE REQUIRED TO RELOCATE MORE OFTEN THAN ONCE EVERY THREE YEARS? IS THIS TOO LONG OR TOO SHORT? Too long — 1. Too short — 27. Don't Know — 16.

10 — IF A CIVILIAN REFUSES TO BE GEOGRAPHICALLY REASSIGNED, HE OR SHE CAN BE TERMINATED. DO YOU THINK THIS IS FAIR? Yes — 4. No — 40.

11 — WHAT COMMENTS DO YOU HAVE ABOUT THIS PROGRAM? (See story).

market report



Soda Sales Foam, But Beer Sales Are Flat

Taste wars continue in the soda market, while beer manufacturers fight the pinch of changing tastes, a decline in the number of traditional male drinkers and tougher drinking laws.

By ANNE ROKETENETZ
Associate Editor

IF COMMISSARY AND exchange patrons follow their civilian counterparts, this summer they'll be reaching for more soda and less beer.

The reasons, say manufacturers of both types of beverages, include a decline in the number of males between the ages of 18 and 34 (who represent the traditional beer drinker), changing tastes, greater health concerns, and a growing urgency to curb drunk driving.

Added together, these factors have resulted in flat sales for the beer industry. What's worse, said many brewers MILITARY MARKET contacted for this article, they are not optimistic that the flat sales will turn around in the near future because of the growing popularity of soft drinks.

To combat the poor sales and the impact soft drinks have had on the beer market, brewers are now working to produce different lines of brews, including those that taste like imports, beers that are less filling or beers that are low in alcohol. Some have even turned to brewing non-alcoholic beers in hopes of keeping a hold on the beer drinker who doesn't want the alcohol but still enjoys the taste.

Low vs. Light

Despite overall flat sales, two segments of the beer market are selling well. Light beers and low alcohol types are the most popular domestic beers right now and both types are enjoying a healthy chunk of a market which once belonged to the premiums.

Many drinkers don't realize that light beers aren't necessarily low alcohol beers. The difference is great.

Light beers, which have been on the market since the mid '70's, make up approximately 36 percent of the total beer market. They are touted as being "less filling." Though they contain an alcohol level of at least 3.1 percent, what makes them light and less filling is that they often have a higher water content than premiums. As a result, they are popular with drinkers who enjoy beer but are conscious about getting a "beer gut," and drinkers who want a milder, smoother taste.

Low alcohol beers, on the other hand, are just that. Most contain 2 percent or less alcohol content. They are relatively new to the market. Most brewers MILITARY MARKET contacted said that though it is still too early to judge just how well these beers are doing, they are finding a niche of their own. And though most people in the beer industry are confident low alcohol beers won't take a large bite out of the light beer market, some remain skeptical about weak beer's future.

"If I were betting on long term prospects for low alcohol beer, I would say it will eventually die down," says Allen Schuster, director of international sales for Stroh International. Schuster's philosophy is that "for a beer drinker who is used to drinking a 4 to 5 percent alcohol content beer and is satisfied with this, to go to anything less without splitting hairs, he might as well just bite the bullet and drink non-alcoholic beer."

Schuster predicts that in a few years non-alcoholic beers will develop a niche of their own. And that niche, he says, "will be a taste finesse. Low alcohol will then step down."

Peer Pressure

Beer drinkers know that imported beers like Heineken, Moosehead and Becks are full bodied and stronger than domestics. So at first glance it seems a bit crazy that these types also are on the rise while domestic lights and low alcohols are overtaking American full-bodied premiums.

Not so, says a spokesman for the G. Heileman Brewing Co. He attributes the growth in the popularity of imports to peer pressure. "We don't see a contradiction in this at all," he says. "It's just peer group pressure."

If that's the case, then American breweries are moving towards recapturing the domestic premium drinker

market report

by introducing new premium class brews with names that resemble imports. Heileman, for example, will soon begin distribution in Washington state and Oregon of its new Weinhard's Ireland Style Premium Light Ale. With a 3.5 percent alcohol content, the new ale will be aimed at the new premium market comprised of the yuppie segment.

Anheuser-Busch is expected to begin national distribution of its Michelob Classic Dark Beer in the near future.

Another new brew targeted for the premium drinker is the Adolph Coors Co.'s Coors Extra Gold. Coors expects to begin test marketing that brand sometime during the second half of the year. According to *Advertising Age*, the new beer, which will be a heavier-tasting premium, will probably replace the company's earlier tested Coors Golden Lager, which failed in test markets.

Cashing In on Cola Wars.

On the opposite front, soda manufacturers are bubbling with delight at the increased popularity of soft drinks. To cash in, they are now waging their own cola wars.

The recent big news is Coca-Cola USA's taste revision of its flagship brand Coke. The reformulation is an effort to regain valuable market shares lost to Pepsi-Cola. Reports in the trade press have indicated that at the end of last year, Coke's share of the market had fallen to 21.7 percent from 24.3 percent in 1980. During the same period, Pepsi's share reportedly jumped from 18 percent to 18.8 percent.

But press information provided by Coca-Cola attributes the reformulation to blind taste tests which showed that consumers preferred the new Coke over the original by a margin of 55 to 45 percent. The company says the new formula was discovered while developing its Diet Coke four years ago.

Coca-Cola USA, which will celebrate its 100th birthday next year, is touting the taste change as "the most significant soft drink development in the company's history." Coke hasn't changed its secret recipe since 1903 when the Pure Food and Drug Act required that the company remove the traces of cocaine included in the formula at the time. The question now is whether the reformulation will mean Coke tastes more like Pepsi.

The Coke reformulation didn't go unnoticed by Pepsi, which responded to its competitor's taste change with an open letter appearing as a full-page newspaper advertisement. "After 87 years of going at it eyeball to eyeball, the other guy just blinked," wrote Pepsi president Roger Enrico. Enrico pointed a finger at Coke, stating that "Coca-Cola is withdrawing their product from the market place and is reformulating brand Coke to be 'more like Pepsi.' "

Lemon/Limes

Flaring beside the cola wars, a smaller battle between lemon/lime-flavored soft drinks is starting to gain momentum.

The lemon/lime segment accounts for 12 percent of the total soda market. The two top contenders are Seven-Up and Coca-Cola's brand Sprite. Even though Seven-Up already holds the No. 1 spot with more than 50 percent of the market share, the company is gearing up to further secure its lead by reintroducing some old advertising. Sprite ranks No. 2 in the lineup, with an estimated 20 to 25 percent share.

Seven-Up's recent move revitalizes its decade-old advertisements which touted the product as being the "Uncola." A spokesman tells MILITARY MARKET that "On doing consumer research, we found there was a connection with the Uncola theme, even though we haven't used that advertisement in over 10 years."

Fruit-flavored soft drinks other than lemon/lime are also starting to gain ground. Coca-Cola USA recently introduced cherry-flavored Coke to the market. Though it is not yet available in the military, Joe Marshburn, military sales manager for Coca-Cola, said early reports show the sales of the new product doing very well.

Dr. Pepper, however, isn't very worried about Coke's addition to the cherry-flavored soda segment, a spokesman for that company says. In fact, he explains, Dr. Pepper (which celebrates its own 100th anniversary 11 months before Coke does) has a very loyal following within the military. This is because "72 percent of the people in the military are from below the Mason-Dixon line, which is our major market."

Marshburn also confirms that Coca Cola's new Minute Maid line of soft drinks are still in the test market stage. Marshburn says the new line, which will contain juice, is expected to be available sometime later this year.

Diet Anyone?

It only seems natural that with America's increased emphasis on diet

On-Base Military Beer Sales 1980-1983
In Millions of Dollars

OUTLET & YEAR	DOMESTIC	OVERSEAS	WORLDWIDE
1983			
Clubs & Package Stores	$113	$ 58	$171
Exchanges	156	77	233
Total Sales	**$269**	**$135**	**$404**
Military Strength	1,630,095	532,754	2,162,849
Per Capita Sales	$165.00	$253.00	$187.00
1982			
Clubs & Package Stores	$109	$ 57	$166
Exchanges	137	66	203
Total Sales	**$246**	**$123**	**$369**
Military Strength	1,635,415	521,197	2,156,612
Per Capita Sales	$150.00	$236.00	$171.00
1981			
Clubs & Package Stores	$100	$ 56	$156
Exchanges	125	61	186
Total Sales	**$225**	**$117**	**$342**
Military Strength	1,607,898	514,759	2,122,657
Per Capita Sales	$140.00	$227.00	$161.00
1980			
Clubs & Package Stores	$ 92	$ 51	$143
Exchanges	117	53	170
Total Sales	**$209**	**$104**	**$313**
Military Strength	1,586,691	502,135	2,088,826
Per Capita Sales	$131.00	$207.00	$150.00

Source: Research Department, Army Times Publishing Co.

and health-diet soft drinks are growing in market strength. The low sugar refreshers account for 32 percent of the soda market.

"Diet drinks have done phenomenal in the market," one manufacturer tells MILITARY MARKET. One that has done amazingly well has been Diet Coke, says Marshburn. Introduced just three years ago, Diet Coke has already climbed into the No. 3 spot in the diet soda segment. Says Marshburn: "That's unheard of in three short years to achieve that." Diet Coke will not undergo the taste reformulation of its sugar-added counterpart.

To get into this specialized market, several soda manufacturers have started plans to revive their own diet lines. Seven-Up, for example, recently announced that it has plans to revise its Like sugar-free line. Like, introduced to the cola market in 1983, captured only 0.5 percent of the business. The company is hopeful it will be able to capture more with the revised version.

But besides the greater concern for health, diet drinks have also been increasing in popularity because of better taste, says a spokesman for Dr. Pepper. "The biggest thing in diet drinks has been the introduction of NutraSweet," he says. "Because of its sweetening power, you see more people who don't normally drink diets doing so. Aspertame [the chemical name for NutraSweet] has a much more palatable taste than saccharine did."

One spokesman for a major manufacturer, however, says he doesn't think the diet types are doing as well in the military as they have in the civilian market. "Given the nature of the military patron, he is more active and doesn't really need a diet or sugar-free soda."

A diet soda that has benefited from NutraSweet's more palatable taste has been the Chicago based A. J. Canfield Co's 2-calorie Diet Chocolate Fudge Soda. In January, the company made the switch from saccarine to aspertame in its nine flavored line of diet soda. Since then, sales of the company's fudge soda, first introduced in 1972, have soared from 1 million cans a year to 25 million in the last four months.

Since the addition of NutraSweet, the privately owned Canfield Co has increased its home territory of Illinois, Indiana, Wisconsin, Michigan and Iowa to include franchises in 33 other western and southwestern states. The company is also negotiating with bottlers in New York, New Jersey and Connecticut.

One market segment that has not fared as well as beverage manufacturers anticipated is that of caffeine-free sodas. Although they have yet to find a niche of their own, one manufacturer tells MILITARY MARKET that they have done best in the diet line. "If you are going to drink a soft drink without sugar, then you will probably be drinking one without caffeine." MM

Responsible Drinking Campaigns

TWO FACTORS THAT have had roles in flattening beer sales have been the public's increased awareness of alcohol's dangers and the efforts by special interest groups to curb alcohol consumption.

Groups such as MADD (Mothers Against Drunk Driving) and SADD (Students Against Drunk Driving) have worked hard on the local and national levels lobbying for legislation to tighten existing drinking and driving laws.

The movement to alert the public to the dangers of irresponsible drinking has materialized within the military as well. A spokesman for G. Heileman Brewers tells MILITARY MARKET, "There is a move to vocally let people know they [the base commanders] are taking this thing serious."

A deemphasis on alcohol by DoD, for example, has led to a recent suggestion that the military not promote alcoholic beverages through special offers and price reductions unless the same deal is being offered in the civilian market, says a NAVRESSO spokesman. Some bases have eliminated on-base happy hours, increased the availability of alcoholism counseling and have set monthly quotas on the amount of beer military members can purchase.

Perhaps the biggest move on the military's part, however, is taking effect the first of June, when a federal mandate will require all military installations Stateside to conform to their state's drinking age laws.

"In the military, there have been great pressures put on the people to increase their awareness of alcohol and its dangers," says Allen Schuster, director of international sales for Stroh International. Schuster says his company rarely offers price promotions. "Our philosophy is to supply the military with what it needs, but not to try to exceed that need."

Other brewers, such as Anheuser-Busch, Inc. and Miller Brewing Co., are promoting responsible drinking through educational programs.

As early as 1982, Anheuser used the military to introduce its first corporate advertising campaign geared towards responsible drinking. Anheuser's Military Sales Manager, Tom Moore, tells MILITARY MARKET the company has continued with the campaign by extending it into the civilian market. It has also developed Operation ALERT, an educational program designed for distributors, restaurant owners and consumers.

Anheuser has also financially supported both MADD and SADD, says Moore, adding that the company aided in establishing SADD. Between the two, Anheuser donated somewhere in the area of $600,000. "We are taking a very positive stand for this. We want people to drink beer and enjoy it but in moderation."

Similar efforts by Miller Brewing has led to that company's support of several alcohol awareness groups, including the Alcohol and Drug Problems Association of North America; the American Council on Alcoholism; the Educational Commission of the States; the Health Education Foundation, and BACCHUS (Boost Alcohol Consciousness Concerning the Health of University Students).

In addition, the company also sponsors the educational program called Alcohol Information from Miller. AIM provides educational literature, advertising materials and public presentations on responsible drinking to distributors, politicians, educators and regulatory officials.—A.R.

system of the month

AAFES Market Research Division:

'The Eyes & Ears of Good Management'

Feedback from exchange shoppers is massaged and manipulated by the market research folks at AAFES headquarters. There's no telling how it will affect the decision-making process.

THE CHIEF MASSAGER AND MANIPULATOR of AAFES' market research data, Col. William Miner, sits alongside his primary job tool — the computer terminal. *(Photo by Jay Blucher)*

By JAY BLUCHER
Associate Editor

IN BOTH THE RETAIL and resale businesses, sound management decisions are rarely arrived at haphazardly or blindly. Answers to questions like where to locate a new store, which customer segments to target or whether to expand a facility, for example, are always the result of painstakingly careful studies, long-term planning and thorough market research.

It may come as a bit of a surprise to some people, but a division doing market research exists within AAFES. Safely tucked away in the Dallas headquarters, a small but dedicated staff of 12 civilians and three military members goes quietly about the task of conducting research while dutifully hunched over their respective computer terminals. These folks are tabulating the answers to AAFES customer surveys, compiling data from research reports, developing computer models for simulation or hashing through reams of statistics detailing some aspect of AAFES' operations.

"Market research is the cornerstone of any management decision, the mortar that brings all the pieces together, and essentially, the eyes and ears of good management," says Army Col. William Miner, director of the marketing research division at AAFES headquarters.

"We do many things here, but basically, we listen to our customers — try to find out what it is they like about our exchanges, or what it is they don't like, and then we find areas where AAFES can improve its level of service to our patrons."

The primary tool of AAFES market research is the computer, which allows instant analysis of massive quantities of statistical and demographic data. But the secondary tool is the old-fashioned basic customer survey. AAFES employees from headquarters, the regions or local exchanges poll passing shoppers for the answers to a few questions.

Currently, there are about 30 customer surveys going on within AAFES on a worldwide scale. The questions range from very broad scoped ones like "What do you think of the selection of products at your main exchange?," to more detailed ones like, "How much do you spend on an average visit to the exchange?"

AAFES managers at every level reap benefits from the surveys, however. At headquarters, management's query could be, "Should AAFES decide to go into more upscale children's clothing?" At the region level, the same question might be, "How much and what kind of training do we need to train our clothing sales clerks about this merchandise?" And at the store level, an exchange manager might wonder, "Do I really need to stock more upscale children's clothing, based on my customer mix?" A single survey from the marketing research division could provide information to address each of their concerns.

One area that most of the current crop of surveys is zeroing in on, says Miner, deals with AAFES sales clerks —an area of concern at headquarters. "We want to know if our customers are satisfied with the in-store service they receive. Are the sales clerks friendly and courteous? Do they have good product knowledge? Are they as courteous as sales clerks you might encounter downtown?"

The division has conducted customer surveys on a wide variety of subjects. Since its inception in 1979, more than 100 surveys covering topics like theaters, credit, children's clothing, gasoline sales and Hispanic music have been done and analyzed.

Timely issues are usually high on

the agenda. Credit and credit cards comprise one such area where AAFES has concentrated recent survey efforts. Says Miner, "We have looked into several aspects of the credit issue — specifically, to what extent we are losing business as a result of not offering credit. It's hard to quantify, but we are definitely losing market share. Common sense will almost tell you that on a high ticket item, you just can't expect everyone to lay down cash."

He points out some problem areas encountered with credit questions, problems indigenous to *any* survey. "We'll run a survey and ask, 'Where did you buy this children's clothing for back-to-school?' The individual will say, 'We went to Sears or K mart or Walmart.'

"But when you ask them *why*, they'll often give you the *rational answer* of better selection, better prices or more brands. But you get this gut feeling that those answers aren't really why they're going off-base, 'cause you know the prices aren't any better there."

What Miner and his folks have learned through years of survey-taking is that sometimes you have to sneak in questions about credit within the context of other surveys. Says Miner, "Further down in the survey after you've got their mind on something else, say, children's clothing, for example, you might throw in a question like, 'How do you normally purchase B-T-S children's clothing? Do you pay cash, or use a credit card?'

" 'Credit card' comes up very frequently . . . too frequently for us not to offer the cards."

Sometimes AAFES surveyers offer an incentive for patrons to fill out a survey form, like a coupon for five gallons of gasoline if they complete a survey on service stations. That method has its drawbacks. "Sometimes that only ends up with the folks answering the survey with the responses that *they think* we are looking for, so you have to be careful with incentives. Or else people will think, 'Well, I've never taken my car to the AAFES facility, and I've never heard anyone complain about it . . . so, it must be okay — I'll check excellent.' "

AAFES' market research folks realize there's a margin of error. "Sometimes you just have to approach this whole survey business with a lot of common sense," says one research analyst.

Customer surveys are only a part of what this group does, however. What is known in AAFES lingo as operations research and management information are also major tasks.

Explains Miner, "Basically we do all the economic analyses for all the various businesses that AAFES is currently involved in, or is going to be involved in shortly. We look at both its existing state of affairs as well as its potential to make a little money for us.

"Occasionally we will get called into different areas or special projects. The auditing or services people may send their own people in to take a look at some aspect of the business."

One of Miner's all-time favorite projects was an anaylsis of how AAFES should go about configuring its gas station service islands. "AAFES is beginning to install gas pumps at some of its shoppette locations now. There are many factors to consider before you build these things. You don't want to underbuild your gas station, nor overbuild it. You have to answer things like, how far should the islands be apart, how many should we have, what should their hours of operation be to maximize our profits, what flavors of gas should be dispensed from which locations and how many gallons should be dispensed from each location."

Customer Strength (Authorized Army & Air Force)

Active Duty	1,380,010
Active Duty Dependents	1,946,660
Civilians	35,330
Civilian Dependents	17,980
Reserve Components	1,211,670
Retirees	1,016,160
Retiree Dependents	1,321,000
Survivors	58,470
TOTAL Potential AAFES Customers	**6,987,280**

SOURCE: AAFES, 1985

Education of Enlisted Members As of 30 September, 1983

Level of Education	Army	Air Force
Graduated from college	2.9%	2.5%
Two or more years of college	15.2	11.9
Some college	25.9	30.7
High school graduate	93.8	95.7
Two or more years of high school	98.5	96.7
Some high school	99.0	99.6
Graduated from grade school	99.2	100.0

99% of Officers have graduated from college.

SOURCE: AAFES, 1985

Active Duty Age Distribution

Age	Men	Women	All
Less than 21 years	19.7%	19.1%	19.6%
21-25 years	34.4	44.4	36.3
26-29 years	15.7	20.3	16.2
30-35 years	15.9	12.5	15.6
36-39 years	7.8	2.3	7.3
Greater than 40 years	6.5	1.4	6.0

SOURCE: AAFES, 1985

Customer Strength by Location (Active Duty — Army & Air Force)

Location	Number	%
ConUS	891,668	64.6
Alaska, Hawaii, U.S. Territories	101,385	7.4
Foreign Countries: Europe	306,842	22.2
Asia and Pacific	67,010	4.9
Other	13,101	.9
TOTAL	**1,380,010**	**100.0**

SOURCE: AAFES, 1985.

Miner's marketing research folks spent more than a year wrestling with these questious, developing a sophisticated computer model that would allow them to play with all sorts of gasoline service station scenarios. When it was finished in March of 1982, AAFES could benefit from having the only economic analysis of its kind in the world.

Boasts Miner, "We checked with our suppliers, with the gas companies and the associations, and nowhere had this ever been done before. You know, what's funny is that our people with 20 years of experience in the field had been doing these calculations for years on the back of an envelope or something and coming very close to the exact figures our model worked out."

The computer model allows the market research folks the opportunity to play around with many different possible scenarios. Miner calls this process "war-gaming it." For example, with a given four-island, eight dual dispenser service station where the product mix breaks down to 38 percent regular, 50 percent unleaded and 12 percent other, analysts can plug in different hours of operation, different peaks in demand and many other variables to test the "final solution" — the plan that fits all possible scenarios the best.

The surveys themselves are done in many different ways, but Miner finds personal contact interviews in AAFES outlets offer the best response. There are some restrictions, in that the surveys cannot be taken outside of the military community and AAFES is presently not mailing them.

Normally, surveys are done within AAFES facilities, which is a limitation because the respondents are people that are currently customers, while the surveys seek to reach the shoppers going elsewhere as well.

Explains Miner, an old-hand at survey-taking himself, "I like to hand the survey out via an AAFES employee — give it to the customer and have them take it home. I don't like to hold them up or have them sit down at a table. Then they can mail it back at their leisure in the self-addressed, stamped envelope. It's never lengthy. Oh, and nobody at headquarters screens them at all or takes out the bad responses."

Occasionally, the market research division gets involved in product research, but not as a general rule. Explains Miner, "The beverage buyer might come up and ask me to track a couple of beverages sales in the market, and we'll do that for him, but that's really a small part of what we do."

Demographics Details

However, demographic analysis and developing the profile of the AAFES customer is a major responsibilitly of the division. Using DoD data bases and their own statistical abstracts, Miner's people follow the changing demographic patterns of AAFES' markets. He admits that, "although the AAFES profile of its customer is *typical*, it's not really *representative*. That customer is different at each location you may find. In reality, there is no such animal as the typical AAFES customer."

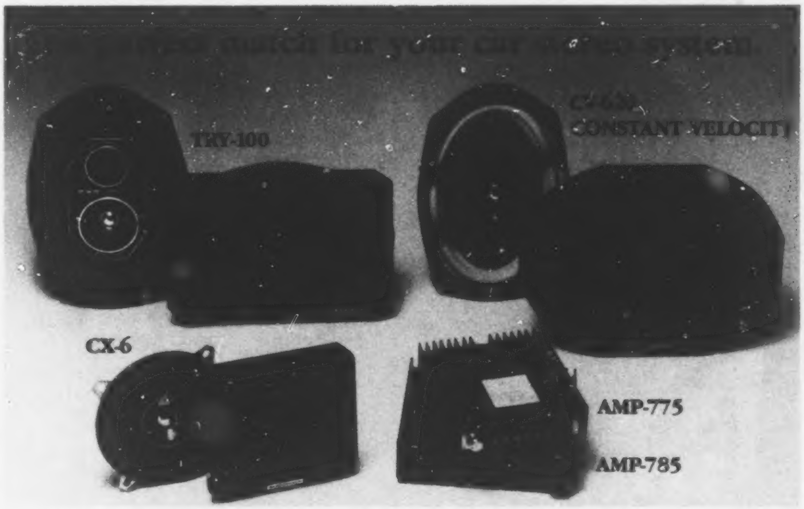
Laments Miner, "Unfortunately, we in AAFES cannot target the market like our retail competition can. It comes with the territory. We have to serve all these people, so we have to get into the minds of our customer, and the best way to do that is through our customer surveys. They love to have the chance to offer direct feedback to us here at headquarters."

The market research division is also responsible for the annual Nielsen price comparison surveys. Says Miner, "In spite of Nielsen's documented savings of greater than 20 percent, our customers' perception of savings is only 12 to 15 percent, and that's a real problem for us. We must ask ourselves, 'Why do our patrons feel they actually save less than they really do?' "

You can't blindly assume certain things about the AAFES market. "You can't say, 'Here's a base with a population of 75 percent E-1 and below,' therefore we should put a lot of budget merchandise in there. You can't really classify areas like that, because we have found those same troops also want quality names and merchandise, and they are willing to pay for it. That's why you must rely on solid research."

A good example of the above happened at the Fort Sam Houston exchange, where the patron mix is mostly retirees, with a dependent population that is very small. Explains Miner, "The exchange put in upscale children's clothing and it did phenomenally, contrary to what you might expect." The reason was that retirees were buying clothing as presents for their grandchildren. "Our market research showed us that there was great demand for this merchandise at this location, so we went with it."

Miner sums up his job: "If I could just get one thing across to our patrons it would be that we *know* we have competitive pricing in our stores. Nielsen backs that up. All we're asking is for you to include AAFES in your shopping agenda. If you can find it elsewhere cheaper, than by all means, go there. But before you drive off-base, give us a look, huh?" **MM**



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Military Market index

		FEBRUARY			YEAR-TO-DATE		
Commissaries		CY'85	CY'84	%	CY'85	CY'84	%
Air Force	CONUS	$137,662	$144,386	-4.66	$292,617	$287,215	+1.88
	OVERSEAS	28,097	28,303	-0.73	58,671	55,884	+4.99
	TOTAL	**165,759**	**172,689**	**-4.01**	**351,288**	**343,099**	**+2.39**
Army	CONUS	96,390	99,855	-3.47	202,860	198,450	+2.22
	OVERSEAS	29,085	31,185	-6.73	60,795	62,265	-2.36
	TOTAL	**125,475**	**131,040**	**-4.25**	**263,655**	**260,715**	**+1.13**
Navy	CONUS	59,644	55,570	+7.33	115,368	108,600	+6.23
	OVERSEAS	6,414	6,544	-1.99	12,972	12,521	+3.60
	TOTAL	**66,058**	**62,114**	**+6.35**	**128,340**	**121,121**	**+5.96**
Marines	CONUS	12,114	12,817	-5.48	26,457	25,277	+4.67
	OVERSEAS	249	172	+44.77	485	346	+40.17
	TOTAL	**12,363**	**12,989**	**-4.82**	**26,942**	**25,623**	**+5.15**
Coast Guard	CONUS	274	228	+20.18	565	461	+22.56
	OVERSEAS	284	268	+5.97	607	518	+17.18
	TOTAL	**558**	**496**	**+12.50**	**1,172**	**979**	**+19.71**
All Commissaries	CONUS	$306,084	$312,856	-2.16	$637,867	$620,003	+2.88
	OVERSEAS	$64,129	$66,472	-3.52	$133,530	$131,534	+1.52
	TOTAL	**$370,213**	**$379,328**	**-2.40**	**$771,397**	**$751,537**	**+2.64**
Grocery Stores	U.S.[1]	**$19.559**	**$19.183**	+1.96	**$40.562**	**$38.681**	**+4.86**
Exchanges							
AAFES	CONUS	$209,886	$207,104	+1.34	$395,672	$397,055	-0.35
	OVERSEAS	142,926	143,393	-0.33	278,314	282,739	-1.57
	TOTAL	**352,812**	**350,497**	**+0.66**	**673,986**	**679,794**	**-0.85**
Navy	CONUS[2]	82,433	81,526	+1.11	144,783	141,893	+2.04
	OVERSEAS[2]	33,348	34,708	-3.92	63,906	62,612	+2.07
	TOTAL[2]	**115,781**	**116,234**	**-0.39**	**208,689**	**204,505**	+2.05
Marines	CONUS	27,918	32,277	-13.50	48,776	48,856	-0.16
	OVERSEAS	4,557	5,099	-10.63	8,901	8,687	+2.46
	TOTAL	**32,475**	**37,376**	**-13.11**	**57,677**	**57,543**	**+0.23**
Coast Guard	CONUS[3]	6,171	5,663	+8.97	11,309	10,558	+7.11
	OVERSEAS[3]	476	701	-32.10	920	1,313	-29.93
	TOTAL[3]	**6,647**	**6,364**	**+4.45**	**12,229**	**11,871**	+3.02
Mail Order	CONUS[4]	1,325	1,686	-21.41	2,380	3,183	-25.23
	OVERSEAS[4]	3,667	4,048	-9.41	6,530	8,066	-19.04
	TOTAL[4]	**4,992**	**5,734**	**-12.94**	**8,910**	**11,249**	-20.79
All Exchanges	CONUS	$327,733	$328,256	-0.16	$602,920	$601,545	+0.23
	OVERSEAS	$184,974	$187,949	-1.58	$358,571	$363,417	-1.33
	TOTAL	**$512,707**	**$516,205**	**-0.68**	**$961,491**	**$964,362**	**-0.36**
Department Stores	U.S.[1]	**$7.821**	**$7.467**	+4.74	**$15.465**	**$14.741**	+4.91

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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Military Market

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Military Market survey

Commissary Salvage:
Pick It Up, " . . . or Else"

THE OLD SAYING goes that sometimes a story has three sides — yours, mine, and the truth. For a survey we ran this past February, MILITARY MARKET asked commissary officers about salvage, and found that they considered it to be a relatively insignificant problem in their stores. It was, said one, "a matter of piddling pennies."

But frequent complaints from vendors led us to suspect that there was another side to the story. So for this month's survey, MILITARY MARKET queried military brokers to get their perspective on salvage.

As might be suspected, the brokers' viewpoint is decidedly different from that of most commissary officers. The 16 brokers who responded to our questionnaire told MILITARY MARKET that salvage is not only a *significant* problem, but also a peculiarly *military* problem. Fourteen of the 16 respondents said that salvage is a greater problem in commissaries than in civilian grocery stores — a *much* greater problem. Half of the 14 brokers penciled in the word "much" in front of our answer of simply "greater." Brokers view the salvage situation in the military as inconsistent with civilian grocery practices.

One broker suggested that commissaries should handle their own spoilage problems, saying, "You won't find any retail forces going into the Safeway to pick up spoils."

According to the brokers, salvage is a problem which knows no season. Eight respondents said it is a perennial problem, while several pointed out that salvage seems to increase during the holiday season and major sales events.

Brokers pinpoint employee negligence and transportation damage as the major causes of excessive salvage in the military. By a wide margin (13 out of 16), respondents finger AFCOMS as the leading culprit for the abuse of salvage.

By contrast, NAVRESSO and the Marines were cited as the least likely systems to abuse salvage returns, and enjoying the most respect from brokers for their handling of commissary salvage.

Fourteen of 16 brokers felt that the systems' current policies concerning salvage are unfair. Asked one rhetorically, "When was the last time you paid a bill from a piece of paper, and received no goods or no service?"

Brokers generally felt that once the goods are accepted by the commissaries, salvage should become the commissaries' problem — not the manufacturers. "When the damage occurs through employee neglect or equipment failure, a lot of the salvage is written up as damaged goods. That's abuse."

One broker likened the services' salvage policy to blackmail, saying, "It's like they're telling us you have to pick up your salvage or else . . . or else your product line may mysteriously disappear in the morning."

Another said that a base he regularly calls on makes vendors pick up a product that is a slow seller. "If the vendors don't — or won't — do this, the store writes it up as salvage. Salvage is being used as a way to get rid of slow-moving lines, and that's just not right."

Brokers also object to what they perceive as a lack of professionalism on the part of many commissary employees. "Since we are obligated to pick up all *damaged* merchandise, commissary employees don't seem to care how much they damage. It's no sweat off their backs."

Half of the 16 respondents said they make donations to food banks. A majority (13) said they believe even more food could be donated than is presently being offered.

Many of the brokers stopped just short of saying that commissary officers deliberately abuse manufacturers' returns to hide their operational inefficiencies. Nine respondents said that this was the case, however. Said one, "In most cases, our salespeople do not even see the damaged merchandise — they are simply given a list to pay for. This is not right and is probably ripe for abuse by these people."

Another pointed out that abuse seems to be directly related to the management in charge of the store or complex. "Stores with good management seem to have little or no abuse. Stores with poor managers are the biggest abusers." MM

1. WHEN IS SALVAGE THE BIGGEST PROBLEM FOR YOU? Holidays — 5. During major sales events — 1. Heat waves — 0. Inventory time — 2. All the time — 8.

2. IN WHICH CATEGORY IS SALVAGE THE BIGGEST PROBLEM? (Multiple responses possible) Canned — 7. Frozen foods — 4. Boxed goods — 6. Other — 0. No particular area — 3.

3. WHAT DO YOU THINK IS THE MAJOR CAUSE OF DAMAGES WHICH CAUSE SALVAGE? Mishandling by vendor stockers — 1. Store employees — 13. Transportation damage — 2.

4. HOW DOES THE AMOUNT OF COMMISSARY SALVAGE COMPARE WITH CIVILIAN STORES? Greater — 14. Less — 1. The same — 1. Don't know — 0.

5. WHICH OF THE COMMISSARY SYSTEMS ABUSES SALVAGE RETURNS THE MOST? AFCOMS — 13. Marine — 0. Navy — 0. TSA — 3.

6. WHICH OF THE COMMISSARY SYSTEMS ABUSES SALVAGE RETURNS THE LEAST? AFCOMS — 0. Marine — 4. Navy — 12. TSA — 0.

7. DO YOU THINK THE SERVICES' SALVAGE POLICIES ARE FAIR AND EFFECTIVE? Yes — 1. No — 14. Don't know — 1. **WHY OR WHY NOT?** (See story)

8. HOW DO YOU THINK THE SITUATION COULD BE IMPROVED? (See story)

9. DO YOU DONATE SALVAGE TO FOOD BANKS? Yes — 8. No — 7. Don't know — 1.

IF YOU MAKE DONATIONS, HOW MANY DOLLARS WORTH DOES YOUR COMPANY DONATE PER MONTH? There were no responses to this question.

10. DO YOU THINK MORE COULD BE DONATED THAN IS DONE CURRENTLY? Yes — 13. No — 1. Don't know — 2.

11. DO YOU THINK COMMISSARY OFFICERS ABUSE MANUFACTURERS' RETURNS TO HIDE OPERATIONAL INEFFICIENCIES. Yes — 9. No — 3. Don't know — 4.

1985 Military Market

The Almanac
26th Annual

THE MARKET

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The resale systems' potential customer pool as of March 1985 was made up of more than 12 million active duty, retired and reservist military personnel and their dependents. More than half of all active duty personnel are 25 years old or younger, while nearly 37 percent of military customers are retirees or their dependents.

RESERVE FORCES IN PAID STATUS

ARMY NATIONAL GUARD	
Officers	41,847
Enlisted	392,412
Total	**434,259**
ARMY RESERVE	
Officers	52,874
Enlisted	222,188
Total	**275,062**
NAVAL RESERVE	
Officers	22,371
Enlisted	98,187
Total	**120,558**
MARINE CORPS RESERVE	
Officers	3,175
Enlisted	37,444
Total	**40,619**
AIR NATIONAL GUARD	
Officers	12,834
Enlisted	92,178
Total	**105,012**
AIR FORCE RESERVE	
Officers	14,978
Enlisted	55,340
Total	**70,318**
DoD RESERVES (Total)	
Officers	148,079
Enlisted	897,749
Total	**1,045,828**
COAST GUARD RESERVE*	
Officers	1,510
Enlisted	10,847
Total	**12,357**
TOTAL (All Services)	
Officers	149,589
Enlisted	908,596
Total	**1,058,185**

As of Sept. 30, 1984.
*The Coast Guard is part of the Department of Transportation.
SOURCE: DoD & Department of Transportation.

POPULATION OF THE MILITARY COMMUNITY

Active Duty		
Active Duty Military	2,186,316	18.1%
Spouses of Active Duty Military	1,185,222	9.8%
Other Dependents of Active Duty	1,668,160	13.8%
Total	**5,039,698**	**41.7%**
Retirees		
Retired Military	1,432,593	11.9%
Spouses of Retired Military	1,260,100	10.4%
Other Dependents of Retirees	1,742,000	14.4%
Total	**4,434,693**	**36.7%**
Reservists*		
Reservists in Paid Status	1,103,696	9.2%
Spouses of Reservists	694,114	5.8%
Children of Reservists	798,650	6.6%
Total	**2,596,460**	**21.6%**
Grand Total	**12,070,851**	**100.0%**

*Does not include approximately 12,000 Coast Guard reservists
As of March 31, 1985

SOURCE: Personnel Budget for FY 1985.

AGE BREAKDOWN OF ACTIVE DUTY MILITARY

	MEN	WOMEN	ALL
UNDER 21 YEARS	19.1%	17.8%	19.0%
21 - 25 YEARS	34.4%	43.3%	35.3%
26 - 29 YEARS	16.0%	20.6%	16.4%
30 - 35 YEARS	15.8%	14.1%	15.6%
36 - 39 YEARS	8.1%	2.8%	7.6%
40 YEARS AND OVER	6.6%	1.4%	6.1%

As of Sept. 30, 1984.
Does not include Coast Guard.
SOURCE: DoD Information Operations & Reports and the Pentagon.

AGE DISTRIBUTION OF DEPENDENT CHILDREN OF ACTIVE DUTY MILITARY PERSONNEL

Age Group	Number	Percent
Under 5 years of age	470,515	28.2
5-9 years	637,130	38.2
10-14 years	343,663	20.6
15-17 years	138,400	8.3
18-20 years	78,452	4.7
Total Dependent Children	1,668,160	100.0

Total dependent children: 1,668,160.
As of March 31, 1985.
Includes Coast Guard.
SOURCE: DoD & Department of Transportation.

AGE DISTRIBUTION OF WIVES OF ACTIVE DUTY MILITARY

Age Group	Number	Percent
Under 20 years of age	130,410	11.0
20-24 years	414,798	35.0
25-29 years	243,003	20.5
30-34 years	222,851	18.8
35-39 years	124,440	10.5
40 years & over	49,720	4.2
Total Wives of Active Duty Military	**1,185,222**	**100.0**

Total wives of active duty personnel: 1,185,222.
As of March 31, 1985.
Includes DoD & Coast Guard.
SOURCE: DoD & Department of Transportation.

Women made up 9.4 percent of the forces. Blacks, Hispanics and other minorities accounted for 27 percent. About 46 percent of all military wives were 24 years old or younger, while two-thirds of military children were less than 10 years old.

RACE BREAKDOWN OF ACTIVE DUTY MILITARY

	NUMBER	PERCENT
CAUCASIAN	1,551,911	73.0%
BLACK	410,688	19.3%
HISPANIC	76,988	3.6%
OTHER	87,139	4.1%

Total active duty: 2,126,726
As of March 31, 1984
SOURCE: Department of Defense.
Does not include Coast Guard.

ACTIVE DUTY MILITARY PERSONNEL BY SEX

	CY 1984	CY 1983	CY 1982	CY 1981	CY 1980
Total Active Duty	2,176,628	2,123,349	2,108,612	2,122,320	2,088,647
Percent Male	90.6%	90.7%	91.0%	91.2%	91.7%
Percent Female	9.4%	9.3%	9.0%	8.8%	8.3%

As of Sept. 30, 1985.
SOURCE: DoD & Department of Transportation.

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ACTIVE DUTY MILITARY PERSONNEL BY RANK, SEX AND SERVICE

	ARMY		NAVY		MARINE CORPS		AIR FORCE	
	Male	Female	Male	Female	Male	Female	Male	Female
OFFICERS								
O-7—O-10	394	2	249	2	65	0	334	3
O-6	4,692	91	3,616	93	618	9	5,425	81
O-5	10,451	320	7,303	323	1,624	29	12,198	352
O-4	15,721	1,192	11,681	1,174	2,988	63	18,458	1,062
O-3	30,470	4,302	18,675	2,573	5,892	190	34,299	5,312
O-2	10,337	1,912	9,411	1,173	4,181	190	12,259	2,141
O-1	10,432	2,168	8,307	1,194	2,973	133	12,032	2,283
WARRANT OFFICERS	15,156	243	3,061	21	1,377	34	0	0
TOTAL OFFICERS	97,653	10,230	62,303	6,553	19,718	648	95,005	11,234
ENLISTEDS								
E-9	4,164	18	4,014	11	1,251	11	4,828	14
E-8	15,497	150	8,757	44	3,697	35	9,627	36
E-7	49,292	1,265	30,235	478	9,045	132	36,127	392
E-6	81,959	4,897	69,816	3,171	14,921	513	53,774	2,487
E-5	105,178	13,314	89,272	9,147	23,442	1,626	95,157	13,702
E-4	158,471	25,190	92,639	11,659	29,725	2,228	85,976	16,782
E-3	88,737	10,123	87,381	11,592	45,414	2,234	108,539	16,113
E-2	46,690	5,239	34,100	3,266	24,638	1,196	19,079	2,942
E-1	51,107	6,420	32,816	2,890	15,138	602	17,968	2,867
TOTAL ENLISTEDS	601,095	66,616	449,030	42,258	167,271	8,577	431,075	55,335
CADETS & MIDSHIPMEN	4,076	510	4,172	322	0	0	3,929	547
GRAND TOTAL	702,824	77,356	515,505	49,133	186,989	9,225	530,009	67,116

	COAST GUARD		TOTAL DoD			TOTAL ALL SERVICES		
	Male	Female	Male	Female	Total	Male	Female	Total
OFFICERS								
O-7—O-10	27	0	1,042	7	1,049	1,069	7	1,076
O-6	346	0	14,351	274	14,625	14,697	274	14,971
O-5	649	0	31,576	1,024	32,600	32,225	1,024	33,249
O-4	958	11	48,848	3,491	52,339	49,806	3,502	53,308
O-3	1,501	41	89,336	12,377	101,713	90,837	12,418	103,255
O-2	976	93	36,188	5,416	41,604	37,164	5,509	42,673
O-1	523	34	33,744	5,778	39,522	34,267	5,812	40,079
WARRANT OFFICERS	1,468	2	19,594	298	19,892	21,062	300	21,362
TOTAL OFFICERS	6,448	181	274,679	28,665	303,344	281,127	28,846	309,973
ENLISTEDS								
E-9	319	0	14,257	54	14,311	14,576	54	14,630
E-8	511	1	37,578	265	37,843	38,089	266	38,355
E-7	2,714	14	124,699	2,267	126,966	127,413	2,281	129,694
E-6	5,123	154	220,470	11,068	231,538	225,593	11,222	236,815
E-5	4,880	390	313,049	37,789	350,838	317,929	38,179	356,108
E-4	6,778	556	366,811	55,859	422,670	373,589	56,415	430,004
E-3	4,741	592	330,071	40,062	370,133	334,812	40,654	375,466
E-2	3,384	562	124,507	12,643	137,150	127,891	13,205	141,096
E-1	155	192	117,029	12,779	129,808	117,184	12,971	130,155
TOTAL ENLISTEDS	28,605	2,461	1,648,471	172,786	1,821,257	1,677,076	175,247	1,852,323
CADETS & MIDSHIPMEN	672	104	12,177	1,379	13,556	12,849	1,483	14,332
GRAND TOTAL	35,725	2,746	1,935,327	202,830	2,138,157	1,971,052	205,576	2,176,628

As of Sept. 30, 1984. SOURCE: DoD & Department of Transportation.

Compensation

INCOME OF THE MILITARY COMMUNITY 1985

Active Duty Military, Total	**$66.5 billion**
Military Pay, Allowances, benefits	59.1 billion
"Moonlighting" & working spouses income	7.4 billion
Retired Military, Total	**$50.5 billion**
Pensions	18.3 billion
2nd Career Jobs	23.9 billion
Working Spouses' Income	8.3 billion
Reservists in Paid Status, Total	**$31.1 billion**
Employment Income	21.2 billion
Working Spouses' Income	5.7 billion
Reserve Training Pay	4.2 billion
Total Income of Military Community	**$148.1 billion**

SOURCE: DoD Personnel Budget for FY 1985 and Department of Commerce figures on non-government income of military families.

1985 ACTIVE DUTY MILITARY ANNUAL COMPENSATION

Average Military Compensation	**$26,915***
Regular Military Compensation	18,940
Basic Pay	13,673
Basic Allowance for Quarters	1,738
Variable Housing Allowance	445
Station Allowance Overseas	212
Subsistence Allowance & Costs	1,536
Federal Income Tax Advantage	1,336
Special Pays & Consumption Advantage	$7,975
Special Allowance	467
Special and Incentive Pays, Bonuses	754
Commissary and Exchange Savings	896
Free/Reduced Cost Medical, Dental Care	1,707
Retirement Credit, Current Years' Service	3,246
Social Security Payments (Government Contributions)	905

*Annual rate, including value of fringe benefits and consumption advantage

SOURCE: DoD Personnel Budget for FY 1984

AVERAGE MILITARY COMPENSATION FOR THE LAST EIGHT YEARS

FY 1978	$15,367
FY 1979	16,594
FY 1980	18,420
FY 1981	20,546
FY 1982	23,538
FY 1983	24,656
FY 1984	25,902
FY 1985	26,915

SOURCE: DoD Military Personnel Budget for the years shown

The average annual compensation for active duty military rose 3.9 percent to $26,915. At the same time, all-sources income for the retail systems' pool of potential customers rose 5.2 percent to $148.1 billion.

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Exchanges

CY1984 MILITARY EXCHANGE SALES BY DEPARTMENT

DEPARTMENT	DOMESTIC	%	OVERSEAS	%	WORLDWIDE	%
Tobacco Products, Inc. Vending	281,516,228	8.2	97,734,009	5.3	379,250,237	7.2
Automotive	83,083,517	2.4	34,990,612	1.9	118,074,129	2.2
Military Uniforms	222,780,341	6.5	80,952,505	4.4	303,732,846	5.8
Food & Juices	246,170,073	7.1	110,649,427	6.0	356,819,500	6.8
Beer & Sodas	176,549,681	5.1	78,710,831	4.3	255,260,512	4.8
Health & Beauty Aids	202,320,579	5.9	83,663,918	4.6	285,984,497	5.4
Cosmetics & Fragrances	77,888,929	2.3	26,157,398	1.4	104,046,327	2.0
Jewelry	87,496,295	2.5	39,990,443	2.2	127,486,738	2.4
Watches	40,380,337	1.2	16,906,936	0.9	57,287,273	1.1
Stationery, Books, etc.	178,105,359	5.2	69,815,714	3.8	247,921,073	4.7
Men's Outerwear	88,116,255	2.6	37,747,953	2.1	125,864,208	2.4
Men's Furnishings	155,497,362	4.5	60,724,319	3.3	216,221,681	4.1
Women's Outerwear	116,885,426	3.4	48,622,874	2.7	165,508,300	3.1
Women's Furnishings	88,843,711	2.6	31,538,872	1.7	120,382,583	2.3
Boyswear	43,085,140	1.2	17,675,060	1.0	60,760,200	1.2
Girlswear	34,363,445	1.0	15,007,570	0.8	49,371,015	0.9
Infants' & Toddlers' Wear	50,850,069	1.5	21,920,156	1.2	72,770,225	1.4
Footwear	130,834,647	3.8	51,159,755	2.8	181,994,402	3.4
Linens & Domestics	71,980,066	2.1	30,962,296	1.7	102,942,362	1.9
Yardage & Sewing Notions	25,056,451	0.7	12,558,754	0.7	37,615,205	0.7
Dinnerware & Flatware	23,889,751	0.7	10,407,788	0.6	34,297,539	0.6
Kitchenware	47,742,718	1.4	19,006,029	1.0	66,748,747	1.3
Giftware	52,328,591	1.5	25,943,291	1.4	78,271,882	1.5
Cleaning Supplies	48,969,669	1.4	19,332,556	1.1	68,302,225	1.3
Traffic & Major Appliances	117,543,273	3.4	54,920,986	3.0	172,464,259	3.3
Furniture & Rugs	44,967,302	1.3	32,793,586	1.8	77,760,888	1.5
Hardware	80,567,454	2.3	27,093,346	1.5	107,660,800	2.0
Luggage	33,687,831	1.0	12,997,953	0.7	46,685,784	0.9
Garden/Patio Furniture	86,503,404	2.5	25,071,796	1.4	111,575,200	2.1
Sporting Goods	65,649,877	1.9	26,934,838	1.5	92,584,715	1.8
Photo Finishing	27,053,119	0.8	8,952,679	0.5	36,005,798	0.7
Photography & Optical	100,549,885	2.9	51,657,122	2.8	152,207,007	2.9
Toys, Games & Bicycles	74,076,667	2.1	35,644,310	1.9	109,720,977	2.1
Consumer Electronics	197,443,129	5.7	452,414,871	24.7	649,858,000	12.3
Recorded Sound & Video	49,043,256	1.4	58,507,744	3.2	107,551,000	2.0
*TOTAL RETAIL DEPARTMENTS	3,451,819,837	100.0	1,829,168,297	100.0	5,280,988,135	100.0

*Does not include income from services such as service stations, cafeterias, snack bars, beauty & barber shops, concessions and vending machines.

Domestic sales include Alaska & Hawaii.
NOTE: Because of rounding, items may not add up to totals.
SOURCE: Sales from department reports of AAFES, NAVRESSO and Veterans Administration Canteen Service. Marine Corps & Coast Guard department sales are estimated, based on NAVRESSO & AAFES percentage distributions.

A category-by-category breakdown of sales in exchanges during CY 1984.

PERCENT OF EXCHANGE SALES BY SYSTEM WORLDWIDE 1984

	WORLDWIDE SALES	PERCENT OF TOTAL SALES
AAFES	$4,852.9	67.5
NAVY	1,672.3	23.2
MARINE CORPS	408.0	5.7
COAST GUARD	78.2	1.1
VCS	182.6	2.5
TOTAL	$7,194.0	100.0

SOURCE: Resale systems' headquarters.

EXCHANGE SALES BY REGION

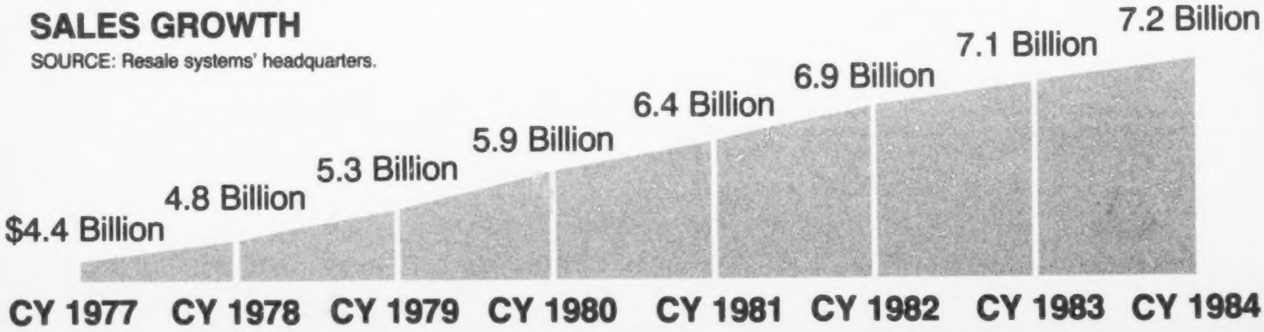
SYSTEM	DOMESTIC SALES	PERCENT OF TOTAL SALES	OVERSEAS SALES	PERCENT OF TOTAL SALES	WORLDWIDE SALES
AAFES	$2948.2	60.8	$1,904.7	39.2	$4,852.9
NAVY*	1,342.0	80.2	330.3	19.8	1,672.3
MARINE CORPS	382.7	93.8	25.3	6.2	408.0
COAST GUARD	72.8	93.1	5.4	6.9	78.2
VCS	182.6	100.0			182.6

Domestic sales include Alaska & Hawaii.
*Includes sales of ships' stores.

Total exchange sales were more than $7.1 billion in CY 1984. Domestic exchange sales accounted for 68.5 percent of total sales; overseas sales were 31.5 percent of total sales.

SALES GROWTH

SOURCE: Resale systems' headquarters.



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Almanac

Commissaries

A category-by-category breakdown of sales in commissaries during CY 1984. Sales (includes 5 perent surcharge) are shown in millions and percentage share of total sales.

	WORLDWIDE		DOMESTIC		OVERSEAS	
CATEGORY	DOLLAR SALES	PERCENTAGE	DOLLAR SALES	PERCENTAGE	DOLLAR SALES	PERCENTAGE
Fresh & Cured Meat, Poultry, & Seafood	$1,204.0	24.7%	$995.2	24.7%	$208.8	24.7%
Household Supplies	433.8	8.9%	350.4	8.7%	83.4	9.8%
Dairy Products	433.3	8.9%	362.6	9.0%	70.7	8.4%
Canned Foods	417.2	8.6%	338.3	8.4%	78.9	9.3%
Frozen Foods	368.5	7.6%	318.2	7.9%	50.3	5.9%
Tobacco Products*	295.3	6.0%	249.7	6.2%	45.6	5.4%
Baked Goods	285.2	5.8%	240.6	6.0%	44.6	5.3%
Produce	224.2	4.6%	185.3	4.6%	38.9	4.6%
Prepared Beverages	165.2	3.4%	136.9	3.4%	28.3	3.3%
Baking Needs	142.3	2.9%	116.8	2.9%	25.5	3.0%
Health & Beauty Aids	144.3	3.0%	116.8	2.9%	27.5	3.2%
Pet Foods	135.1	2.8%	106.7	2.6%	28.4	3.3%
Cereals	100.4	2.0%	76.5	1.9%	23.9	2.8%
Baby Foods	73.1	1.5%	60.4	1.5%	12.7	1.5%
Dried Fruits, Vegetables & Nuts	58.5	1.2%	48.3	1.2%	10.2	1.2%
Sauces	48.8	1.0%	40.2	1.0%	8.6	1.0%
Soft Drinks**	48.3	1.0%	40.9	1.0%	7.4	0.9%
Spreads	46.3	0.9%	38.1	0.9%	8.2	1.0%
Candy & Chewing Gum	44.4	0.9%	37.5	0.9%	5.9	0.8%
Dressings	43.5	0.9%	34.5	0.9%	9.0	1.1%
Pasta Products	34.1	0.7%	28.1	0.7%	6.0	0.7%
Desserts & Toppings	32.2	0.6%	26.4	0.7%	5.8	0.7%
Pickles, Olives & Vinegar	28.8	0.6%	23.1	0.6%	5.7	0.7%
Dietetic & Low Calorie	24.8	0.5%	20.4	0.5%	4.4	0.5%
Spices & Extracts	27.4	0.6%	22.4	0.5%	5.0	0.6%
Syrup	13.6	0.3%	12.1	0.3%	1.5	0.2%
Miscellaneous	1.8	0.1%	0.9	0.1%	0.9	0.1%
Total Departments	$4,874.4	100.0%	$4,027.3	100.0%	$847.1	100.0%

Domestic sales include Alaska & Hawaii.
NOTE: Because of rounding, items
may not add up to totals.

*Tobacco products as a percentage of total sales are computed including sales of Navy and Marine Corps commissaries, although Marine Corps commissaries do not stock tobacco products. However, tobacco products were sold in five Navy commissaries during 1984; these sales are not included in the totals above. When computed as a percentage of sales of just Army and Air Force stores, tobacco products are 7.7 percent of worldwide sales, 8.0 percent of domestic sales and 6.4 percent of overseas sales.

** Soft drinks are stocked in only five Navy commissaries; sales are not included in the totals above.

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PERCENT OF COMMISSARY SALES BY SYSTEM WORLDWIDE CY 1984

SYSTEM	WORLDWIDE SALES	PERCENT OF TOTAL SALES
AIR FORCE	$2,162.9	44.4%
ARMY	1,667.3	34.2
NAVY	826.8	17.0
MARINE CORPS	162.9	3.3
COAST GUARD	6.4	0.1
STATE DEPARTMENT	48.0	1.0
TOTAL	$4,874.3	100.0%

SOURCE: Resale systems' headquarters.

By year end 1984 total commissary sales had surpassed $4.8 billion. Overall, 82.6 percent of commissary sales originated in domestic outlets. Only 17.4 percent of sales were rung up in overseas commissaries.

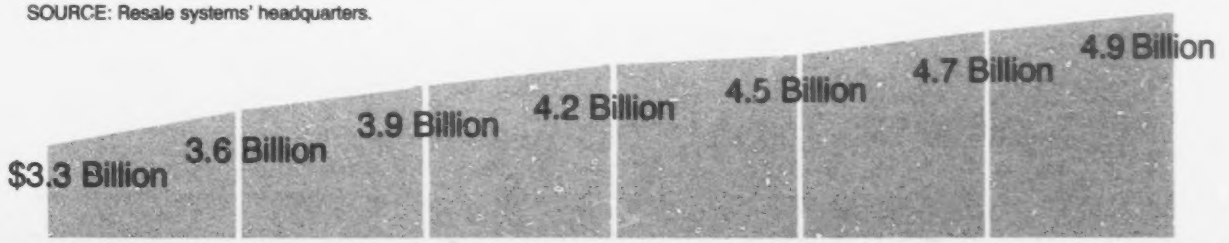
COMMISSARY SALES BY REGION

SYSTEM	DOMESTIC SALES	PERCENT OF TOTAL SALES	OVERSEAS SALES	PERCENT OF TOTAL SALES	WORLDWIDE SALES
AIR FORCE	$1,872.5	86.6	$290.4	13.4	$2,162.9
ARMY	1,249.6	74.9	417.7	25.1	1,667.3
NAVY	738.5	89.3	88.3	10.7	826.8
MARINE CORPS	160.3	98.4	2.6	1.6	162.9
COAST GUARD	6.4	100			6.4
STATE DEPARTMENT			48.0	100	48.0

Domestic sales include Alaska & Hawaii.

SALES GROWTH

SOURCE: Resale systems' headquarters.



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Almanac

The Market's Retail Sales

LARGEST DEPARTMENT/ VARIETY STORE CHAINS

	1984	1983
1 - Sears	$21.7	$20.4
2 - K mart	21.1	18.6
3 - J.C. Penney	13.4	12.1
4 - Dayton-Hudson	8.0	7.0
5 - Federated Department Stores	8.0	7.2
6 - Worldwide Military Exchanges	**7.2**	**7.1**
7 - Montgomery Ward	6.5	6.0
8 - Wal-Mart	6.4	4.7
9 - Woolworth	5.7	5.4
10 - Domestic Military Exchanges	**4.9**	**4.9**

$ in billions.

SOURCE: Sales of civilian department store chains are as reported by "Annual 'Yardstick' Report: The Top 100 Chains," *Chain Store Age, General Merchandise Edition*, June 1985. Military Exchange sales are as reported by the headquarters offices of the various exchange systems.

LARGEST SUPERMARKET CHAINS

	1984	1983
1 - Safeway	$19.6	$18.6
2 - Kroger	15.9	15.2
3 - American Stores	12.1	8.0
4 - Lucky	9.2	8.4
5 - Winn-Dixie	7.3	7.0
6 - A & P	5.9	5.2
7 - Worldwide Commissaries	**4.9**	**4.7**
8 - Albertson's	4.7	4.3
9 - Supermarkets General	4.3	3.5
10 - Domestic Commissaries	**4.0**	**3.9**

$ in billions.

SOURCE: Civilian supermarket sales as reported in the May 1985 issue of *Progressive Grocer*. Military commissary sales are as reported by the headquarters offices of the various commissary systems. Commissary sales include the 5 percent surcharge.

COMBINED COMMISSARY & EXCHANGE SALES

CY 1977	$7,454 million
CY 1978	$8,123 million
CY 1979	$8,890 million
CY 1980	$9,863 million
CY 1981	$10,640 million
CY 1982	$11,354 million
CY 1983	$11,789 million
CY 1984	$12,068 million

COMMISSARIES	$4,874.4 million	40%
EXCHANGES*	$7,194.0 million	60%
TOTAL	**$12,068.4 million**	**100%**

*Includes sales by mail order, catalog, concessions, food service, personnel services, etc.

Combined CY 1984 sales for commissaries and exchanges were more than $12 billion. Worldwide commissaries moved up to seventh place, while domestic commissaries remained in the No. 10 spot.

Worldwide military exchanges dropped to sixth place, as Dayton-Hudson moved into the top five. Domestic military exchanges fell to 10th place with Wal-Mart's entrance into the top 10.

Army & Air Force Exchange Service

ON JULY 25, 1985, the Army and Air Force Exchange Service will commemorate its 90th anniversary. A lot has happened since General Order No. 46 established military exchanges. From the horse and buggy days to the era of the MX missle and microchips, exchanges have served the customer in peace and in times of conflict. We've had a notable past but we're not looking back or standing pat.

We're well on schedule with point of sale scanning, now in 46 stores. This year, 39 more stores will be involved. The fast food franchising of Burger King restaurants on Army installations is well under way. Customer response has been phenomenal and local installations have enjoyed added income for the MWR activities.

While the staples of yesteryear's exchanges were horse blankets, snuff and bowie knives, today's AAFES is in reality 19 different businesses: automotive care, cafeterias, commodity concessions, fast foods, film processing, flower shops, laundry/dry cleaning, military clothing sales, new car sales, optical service, plant operations, personal grooming, rental services, retail stores, shoppettes, theaters, vending (amusement), and vending of products and services.

We're in each of these activities as part of our efforts to support the services' quality of life programs.

After three years of preliminary development, the major upgrading of our warehouse facilities (Project REAL) is finally under way. Land was acquired on 1 April and construction of the first facility is expected to start this fall. The 1 million square foot complex will generate $11.4 million in savings annually and will enable AAFES to better support its worldwide operation.

When I took command of AAFES in March 1982, I challenged each of our 70,000 employees to do better. They responded, as I knew they would, with increased productivity, increased sales and higher earnings. They demonstrated over and over that AAFES is a can-do organization. That's why they're the best workforce in all of DoD.

I retire at the end of this month. Army Brig. Gen. John E. Long, the new AAFES commander, will face many new challenges but I am confident that all will be met. There are still some loose ends, the major one being credit. I'm convinced the day will come when our 7 million customers will be afforded the same shopping alternative as their fellow citizens in civilian life.

1984 was "The Year of the Military Family" and AAFES, together with its sister exchange organizations and with the cooperation and support of industry, reinforced the value of the exchange benefit for the military family. It was a good year.

Maj. Gen. Richard D. Murray, USAF
Commander
Army and Air Force
Exchange Service

Air Force Commissary Service

LOOKING AHEAD IN 1985, we'll be taking some significant steps that will have far reaching effects for both AFCOMS and the military resale system. These changes and new directions will help us improve service to the world's finest families — members of our military community.

We intend to renew our growth in sales in the coming year by offering extended store hours to our patrons in our more crowded stores and by having Wee Servs available or adding a sixth operating day. Extra late nights and cash-only express lanes should also help in this area. Of course, some of these initiatives depend upon availability of additional funds in FY86.

Scanning is in! By July, scanning should be implemented at nine of our stores. Twenty more stores are scheduled to come on line by year's end and 56 additional stores in 1986. Scanning is important, but the data we'll get from the backroom computers is even more important for inventory management, ordering and receiving.

Our Automated Commissary Operation System (ACOS) will be implemented at the Lackland AFB commissary in October 1985. The remaining lead stores in our regions will follow with the new management information system from January to June 1986. Many more of our manual processes will be automated and those already automated will be vastly improved. We're excited about the benefits of scanning and ACOS.

Five new stores will open in FY 1985 and we're planning 11 more in 1986. The new stores feature detached front-ends, contiguous warehouses, efficient meat and produce preparation rooms and wider aisles. Efficient new designs not only improve service to our patrons but also increase sales.

I'm convinced the reorganization of our 15 CONUS complexes into eight region offices is going to help us all.

First, it's going to generate more resources so we can stay open longer. We'll get more people where we need them — in the stores serving the patrons. The reorganization will move about 150 people from complex offices into the stores.

The eight new regions will be operational by August 1. The Pacific Region's move to Hickam AFB, Hawaii, will also be completed by then. This functional move will give us better support for our stores in Korea, Japan, Guam and the Philippines.

With the reorganization, commissary officers will also have more responsibility to make things happen at the local level. I'm a strong believer that the action is at the base and in the local store. They don't need higher headquarters getting in the way — and we won't.

The frequent delivery program we've been testing is continuing at Eglin, Andrews and Langley AFBs. We've had some problems, but with the implementation of scanning and

ACOS, we'll be able to work these bugs out and accurately measure the test results. They should be very beneficial to AFCOMS and to our vendors and distributors.

Since the start of overseas lot pricing, our men and women stationed overseas have begun to get the price breaks they deserve. It's no secret we weren't happy with the burden the old pricing system was placing on our patrons. We'll keep pushing until we're sure the system can continue to do the job it's supposed to — save our customers money.

We've already changed our policy on damaged merchandise. We're going to sell what we can at reduced prices; we're going to give away what we can to food banks, and throw the rest away. We're trying to end the practice of vendors paying us for containers damaged in the commissary. We'll save money and time because we're not going to be keeping track of all those little pieces of paper.

As in all things, our goal is efficiency. We want to provide the patron with the best merchandise, at the lowest prices, in convenient, comfortable stores. By doing this at the lowest possible cost to the taxpayer, we'll be doing our job right and helping to ensure commissaries continue.

There are some other things we demand of ourselves and expect customers to demand of us — well-trained and knowledgeable store management, for instance. Our patrons deserve the best, that's why we're developing an ambitious training program to ensure a flow of qualified people to fill our management positions. In this time of austere funding and limited resources, we must seek ways to increase the productivity of our work force, which in turn will increase the service to our patrons.

This service includes finding a clean commissary every time a patron walks through the doors. Shoppers' attitudes toward the merchandise and the people who work there is influenced by the overall cleanliness of the store. To be a first-class operation, we've got to look and act like one.

While exploring every conceivable avenue to improve our resale operation, we're also placing more emphasis on our primary mission — troop support.

To that end, we're constructing an emergency operations center that will provide the communications hub to control resources and meet our wartime responsibilities. That means getting food to our troops in the dining hall or on the battlefield.

I'm sure that 1985 will see even more cooperation between ourselves, vendors and distributors. Only by working together can we provide our customers with the service and the savings they deserve.

Maj. Gen. M. Gary Alkire, USAF
Commander
Air Force Commissary Service

Veterans Canteen Service

THE VETERANS CANTEEN Service is a non-appropriated operating component of the Veterans Administration's Department of Medicine and Surgery.

Its primary purpose is to make available at reasonable prices to veterans in VA health care facilities articles of merchandise and services essential to their comfort and well being. The VCS also makes available, at reasonable prices, food services to VA medical center employees, volunteers and visitors, as well as patients.

The VCS consists of a central office located in Washington, D.C.; three regional field offices, located in Somerville, N.J., Atlanta, Ga., and Denver, Colo.; a finance center located in St. Louis, Mo.; and 172 field units, called "canteens," located in VA medical centers throughout the United States and in the Commonwealth of Puerto Rico.

Each canteen contains a retail store, cafeteria, one or more vending areas, and may include a barber shop, beauty shop, and offer dry cleaning, photofinishing and other services. The VCS operates on a self-sustaining basis.

Originally, just under $5,000,000 was appropriated by Congress to activate this service. Since that time (1946), the VCS has paid more than double that amount (through FY 1982) to the U.S. Treasury, and approximately 11 times that amount to the VA for rent, utilities and other services. The service operates as a commercial enterprise on a revolving fund basis, annually budgeting to net only as much income as will be necessary to maintain current operations and needs for the ensuing fiscal year.

Canteens are planned in size, staff, and with equipment, fixturing and merchandise to meet the particular needs of patients at each VA medical center. Patient mix (i.e. general medicine, surgical, psychiatric, spinal cord injury, nursing care, domiciliary, etc.) has a strong influence on the canteen design layout, staffing and merchandise mix. Although the degree of service may vary, the pattern of services remains uniform.

Total sales for FY 1984 were $182,564,789. These figures represent retail sales of $104,069,946; food sales of $73,660,316; and service sales of $4,834,527. Total sales for the first half of FY 1985 were $92,674,681. This represents retail sales of $53,040,433; food sales of $37,440,812; and services sales of $2,193,436.

VCS's central office is responsible for developing policies, plans and procedures for the establishment, management and operation of the canteens, and the issuance of policies and procedural instructions to the field offices, finance centers and canteens.

Service management is headed by a director whose principal assistant is a deputy director. The deputy is responsible for all merchandising, facilities development, remodeling and activation, all activities supporting operations, and, through the field directors, for the operation of the system of canteens.

The VCS finance center, located in St. Louis, Mo., is headed by a center director who administers all financial manual and ADP operational support activities. Also located in St. Louis is the VCS audit staff, which reports directly to the service director and performs regular financial audits and vulnerability assessments of the canteens, field offices and the finance center.

Each field office is responsible for the administration of VCS activities within its region, for program management, quality assurance, training, construction and remodeling project management, and a variety of program support activities. Each canteen is headed by a chief who has a background and experience in retail and food merchandising and management.

Located in VCS's central office is a merchandise division whose professional staff of buyers regularly shop the market to identify, category by category, those merchandise items that they feel represent the best values for VCS customers; negotiate the best prices, terms and delivery schedule possible; make this information available through price agreement listings to each canteen chief so that he or she may place orders (within merchandise inventory guidelines) to stock their stores, and place systemwide orders for special promotional "one-time buy" items for delivery to participating canteens. Since the VCS has no national warehousing, each canteen orders its individual requirements on a direct basis.

Recently, a strategic and tactical planning system was adopted by the service to better address and integrate its facilities development, training, merchandising, marketing, procurement and ADP activities in light of past and projected operational budgetary and income trends, as well as customer demand and needs of the agency.

From such efforts have come the new programmatic directions that the service is pursuing or will pursue. For example: to further improve the quality of food preparation systemwide; to further improve and broaden as needed the type of food offerings marketed by VCS cafeterias; to broaden/add more emphasis to testing and evaluation efforts of products and equipment in both food and retail departments; to implement aggressive programs of food and retail store merchandising with tie-ins between the manual food and retail departments; to improve and broaden the merchandise marketed by VCS retail stores; and to further improve the quality of canteen management systemwide.

In addition to these selected programmatic efforts are new technological efforts, including acquisition and implementation of a computer assisted drafting system to facilitate design and layout, and the development and implementation of a program management information system to complement the service's financial management information system.

Ladies Ready-to-Wear

For the past several years the Veterans Canteen Service has directed many of its merchandising and marketing efforts towards the increasing population of aged veterans in VA health care facilities.

Today, female patients represent less than 2 percent of the VA medical center system patient population. However, with more women electing both short term enlistments and long term careers in the military, the VCS has prepared to adequately serve the ever-increasing female patient population.

The VCS has always had a modified ladies clothing program that was usually based on need or convenience. If a medical center had female patients the VCS would see to their clothing requirements (i.e. "needs") and to providing gift items such as perfumes and toiletries (i.e. "conveniences").

In the summer of 1983 the VCS formulated plans to broaden its ladies clothing program beginning with the spring season of 1984. In February 1984, the Administrator's Advisory Committee on Women Veterans met in Washington, D.C. Among the programs and areas they reviewed was the Veterans Canteen Service.

The VCS presented a briefing to the committee that included a discussion of the mission, history and general operation of the service, and a fashion show of ladies ready-to-wear, lingerie and nightwear. Models ranging from average to full figured sizes displayed ladies clothing that would serve both the bedridden and ambulatory female patient. Based on comments from the committee, the VCS made ladies pajamas, robes and underwear available at all canteens. A variety of ready-to-wear (blouses, shirts, skirts, slacks, sweaters, lingerie) and footwear were and are stocked.

Manual Food Department

From its inception in 1946, VCS has provided food service. The VA's Dietetics Service takes care of inpatient feeding, but the VCS cafeterias are a place to gather for a cup of coffee and a snack. Since the mid-1950s, VCS has been charged with medical center employee feeding; it also handles food service for outpatients, volunteers and visitors at most medical centers.

Every effort is made to keep abreast of food trends and to offer what our customers want. Present directions are towards multipurpose bars for items like salad bar, breakfast bar, snack bar, dessert bar, hot dog bar, taco bar, etc., as well as gourmet-style sandwich and grilled-to-order service areas. All of these customer pleasers are proving effective as we are realizing larger than anticipated sales increases.

Tremendous improvements have been made in the physical conditions where our cafeterias operate. Gone are the quonset huts and the terribly inadequate basement areas. They have been replaced with bright, modern, cheerful areas with state-of-the-art cafeterias. The remodeling program continues, with 1984 being one of our busiest years. We remodeled 22 cafeterias; another four had new seating installed; and four others, new food service lines.

To maintain quality, the VCS has been busily preparing training aides. One example of this is "Grilling American's Favorite: The Hamburger," a video cassette now out in the field. Over two hours of video cassettes have also been developed on "Food Service Sanitation" and "Equipment Cleaning" by cooperative efforts with private industry, the VCS, and the VA Regional Learning Resources Service in St. Louis. Also prepared and distributed was a 200 page VCS Catering Guide.

Design and Layout Activities

The VCS maintains a design and layout division at its central office which is responsible for working with VA medical centers, VCS field offices and the VA's Office of Construction on new construction and remodeling projects. The service is continually modernizing its canteens. Retail stores are designed to provide customers with easy accessibility to merchandise, an important consideration when some patients are in wheelchairs, on litters, or suffering other handicaps.

Twelve retail stores were remodeled during 1983, 17 were completed in 1984, and another 66 are already in the planning stages for the next 5 years.

Both in remodelings and in existing stores, the updated ladies clothing program has created a need for new or different fixturing. In the remodeling, more emphasis is placed on the ladies' department and on providing the type of fixturing conducive to such merchandise, such as blade racks, T-base units, plastic pocket units for displays of ladies hosiery, etc. In existing stores, minor fixturing refinements are taking place.

Cafeteria renovations are designed to open up the food service area and provide a variety of seating arrangements. For some cafeterias there is a reduced emphasis on the steamtable and an increased emphasis on the short order, deli sandwich, soup and salad bar areas. In FY 1983 four cafeterias were completely remodeled; five had changes in seating only, and two had food service lines redesigned. In FY 1984, 22 cafeterias were completely remodeled; four had new seating arrangements and four others received new food service lines.

Training

In the past few years, the service has emphasized training. Two years ago it introduced a comprehensive cash register training program for its food service and retail clerks. The program includes an operator's manual for each cashier, a loose-leaf supervisor's manual with training exercises and two 20-minute video cassettes which spotlight courteous behavior. The video cassettes received a certification of excellence from the 1983 U.S. Industrial Film Festival; it was the first recognition received by the VA at the Festival since 1980.

The award-winning cash register training program was produced by the VA's Regional Learning Resource Service in St. Louis. RLRS also produced a VCS catering guide. The majority of canteens already do some catering.

Robert A. Leyton, Ph.D.
Acting Director
Veterans Canteen Service

Coast Guard Activities

THE COAST GUARD directs both its exchange program and its commissary program from the Financial Resale Systems Division at Coast Guard headquarters in Washington, D.C. The same office also is responsible for the service's appropriated-fund uniform stores.

Stores are operated under a decentralized management concept. Each Coast Guard unit has its own administrative office to manage exchange and package store activities at that location.

The two Coast Guard commissaries — one at Kodiak, Alaska, and the other at Governor's Island, N.Y. — had combined FY 1984 sales of $5,697,000. This was $201,000 above the FY 1983 total, and represents an increase of 3.7 percent.

Exchange sales at each Coast Guard unit are shown in the adjoining chart. The figure called "Exchange" includes sales of exchanges, mimimarts and country stores. The figure called "Other" includes vending, service stations, food service sales, guest houses and personal services (barbers, dry cleaners, etc.).

1984 COAST GUARD EXCHANGE SALES

UNIT NAME	EXCHANGE*	GROCERY	OTHER	TOTAL
ATC, MOBILE	1,749,939	6,673,431	417,417	8,840,787
AS, CAPE COD	2,194,665	4,688,466	782,443	7,665,574
STATION, ST. PETERSBURG	2,677,057	2,402,705		5,079,762
COAST GUARD ACADEMY	3,810,641		440,340	4,250,981
SPT CTR, KODIAK	3,202,261		1,035,777	4,238,038
AS, MIAMI	2,335,062	1,629,250	161,578	4,125,890
SPT CTR, NEW YORK	3,520,925		468,935	3,989,860
DISTRICT 9	678,395	1,781,753	6,889	2,467,037
AS, BROOKLYN	1,903,582		25,014	1,928,596
TRNG CTR, CAPE MAY	1,547,479	116,922	233,389	1,897,790
KKH, HONOLULU	1,157,431		638,983	1,796,414
BASE, MOBILE	766,674	528,468	299,179	1,594,321
RES TRND CTR, YORKTOWN	1,367,055		122,757	1,489,812
BASE, SOUTH PORTLAND	1,416,620			1,416,620
SPT CTR, SEATTLE	1,256,036		112,449	1,368,485
TRNG CTR, PETALUMA	1,116,961		213,650	1,330,611
AS, CLEARWATER	1,173,267		10,752	1,184,019
SPT CTR, BOSTON	1,152,840			1,152,840
BASE, MAYPORT	1,017,666			1,017,666
GROUP, ASTORIA	486,207	440,568	78,910	1,005,685
SPT CTR, ALAMEDA	839,683		128,840	968,523
SPT CTR, ELIZABETH CITY	895,806		9,595	905,401
SPT CTR, PORTSMOUTH	854,167		43,867	898,034
BASE, HONOLULU	730,881		135,061	865,942
STATION, JUNEAU	800,711		4,358	805,069
AS, TRAVERSE CITY	239,656	529,352		769,008
CG YARD, CURTIS BAY	536,203		160,116	696,319
GROUP, LONG ISLAND	652,897			652,897
BASE, GLOUCESTER CITY	621,098			621,098
AS, PORT ANGELES	376,124	111,350	79,236	566,710
FT. MYERS	557,580			557,580
CAPE HATTERAS	518,137			518,137
BASE, KETCHIKAN	470,680		15,460	486,140
ROCKLAND	467,986			467,986
BASE, CHARLESTON	407,624		16,728	424,352
BASE, ST. LOUIS	414,044		7,622	421,666
AS, NORTH BEND	250,526	147,120		397,646
BASE, MIAMI	342,174		16,426	358,600
BASE, GALVESTON	326,085		7,266	333,351
BASE, NEW ORLEANS	321,456			321,456
AS, SITKA	283,704		16,205	299,909
GROUP, MUSKEGON	271,810			271,810
BASE, SAN PEDRO	205,089		16,861	221,950
GROUP, DETROIT	207,965		3,065	211,030
TOLEDO	204,577			204,577
GROUP, SHINNECOCK	199,632			199,632
SOUTHWEST HARBOR	180,284			180,284
BASE, MILWAUKEE	146,781		9,065	155,846
BASE, SAULTE ST. MARIE	153,552			153,552
GROUP, BUFFALO	146,049		4,209	150,258
GROUP, HUMBOLDT BAY	96,864		2,411	99,275
SANDY HOOK	79,301			79,301
AS, SAN DIEGO	73,136			73,136
MSO, PORTLAND	53,460		8,521	61,981
STATION, HOUSTON	44,540		3,964	48,504
BASE, FORT MACON	24,523		20,737	45,260
STATION, ALEXANDRIA	35,699			35,699
TOTAL DOMESTIC	$47,561,247	$19,049,385	$5,758,075	$72,368,707

UNIT NAME	EXCHANGE	GROCERY	OTHER	TOTAL
AS, BORINQUEN	2,089,935	1,687,777	32,517	3,810,229
BASE, SAN JUAN	1,382,812		128,984	1,511,796
LORAN, LAMPEDUSA	20,780			20,780
LORAN, SELLIA MARINA	15,938			15,938
LORAN, SYLT	12,806			12,806
LORAN, ESTARTIT	12,233			12,233
LORAN, KARGABARUN	7,232			7,232
TOTAL OVERSEAS	$3,541,736	$1,687,777	$161,501	$5,391,014
SHIP STORES	345,249		108,277	453,526
TOTAL SALES	$51,448,232	$20,737,162	$6,027,853	$78,213,247

SOURCE: U.S. COAST GUARD

Marine Corps Exchange System

SYSTEM SALES RATE of gain for 1984 showed some improvement over 1983 with an overall increase of 2.57 percent. Profit, as a percent of sales, was a healthy 5.8 percent, which allowed a $17.6 million dollar donation to Marine Corps recreation funds.

Operational strategies instituted for 1985 to maintain and improve our service were based on data from results of a patron survey conducted at each of the Marine Corps' 17 exchanges during August 1984. Realigned emphasis on policies and practices reflect a "back-to-basics" approach, and is geared to improving the merchandise and services for our patrons.

1984 also saw considerable gains in facility improvement efforts. Major construction projects completed include:

- New troop and convenience stores at the Marine Corps Air Station Cherry Point, N.C.
- A new main exchange complex at Camp Elmore, Va.
- Major renovations of the main store at the Marine Barracks, Panama, and
- A new administration and services building at the Marine Corps Air Station El Toro, Calif.

Three new major construction projects are planned for completion during 1985.

Consumer research reinforced the need for exchange management to continue emphasis on providing our patrons quality and value at substantial savings. Despite some initial growing pains, our house brand products program seems to have gained a considerable measure of acceptance with our patrons. After an initial evaluation period, a somewhat revised and slightly expanded stock assortment was introduced into our exchanges. Currently the program is providing, at a 20 to 40 percent savings, a lower price alternative to specific nationally branded merchandise. We anticipate continued strong patron demand for the house brand items in the future.

The upgrading of employee training programs remain a top priority effort. In concert with the Marine Corps exchanges' central theme of "back-to-basics," training programs targeting specific areas are receiving renewed emphasis. These include programs geared to upgrading employee attitudes and skills in such areas as courtesy, product knowledge, signage, visual merchandising and other programs and initiatives essential to improved service.

Last but not least, we of the Marine Corps Exchange Service view the use of nationally recognized credit cards in exchanges as a long overdue initiative that will permit the military family to benefit from the savings on merchandise and services available through the exchange. This is particularly important during tight financial periods, or when paying cash is not convenient for other reasons. The use of credit could boost the exchanges' annual sales by an estimated 6 to 8 percent with minimal impact on the surrounding commercial retailers.

As we approach our 88th Anniversary we look forward to making Marine Corps exchanges more attractive and economical places to shop and will continue to stress our role in improving the quality of military life for our service families.

Col. W. R. Irwin, USMC
Head
Marine Corps Exchange
Service Branch

Marine Corps Commissaries

FOLLOWING AN outstanding year in FY84, with a 13.7 percent growth in sales, the Marine Corps commissary program anticipates FY85 and FY86 to continue in the same positive trend.

Sales in the first six months of FY85 are up 9.9 percent over the same period of the previous year. These increases are attributed to expanded commissary services, improved merchandising techniques and product availability, improved distribution systems, and reinforced patron awareness of commissary savings.

This growth was achieved with no additional resources. In order to sustain the continued growth of the Marine Corps commissary system, dynamic plans are programmed for the remainder of FY85 and for FY86.

As in previous years, the facility improvement program is still a high priority. This summer a new store will be opened at Barstow, Calif. Expansion of the Quantico, Va., commissary and construction of a new store at Twentynine Palms, Calif. are programmed in FY86. Additionally, a new commissary at Iwakuni, Japan, which is being funded by the government of Japan, is expected to open in the late summer of FY86.

The Marine Corps continues to expand in the direction of automation. In early FY86 the commissaries at Quantico, Va., and Albany, Ga., will be brought under the support of the East Coast Complex, and the Kaneohe Bay, Hawaii, commissary will join the West Coast Complex. Under complexing, these stores will benefit from centralized accounting, procurement and supply systems, enabling them to provide improved service to the commissary patrons.

Award of the contract for the new enhanced Commissary Management Information System will also be made in FY86. This system will further extend the efficiency and effectiveness of our commissaries.

Finally, the FY86 program includes the plan for scanning to be implemented at all Marine Corps commissaries.

Through these aggressive programs in FY85 and FY86 the Marine Corps plans to enhance the commissary system to continue to provide quality merchandise and service to the commissary patrons.

R. Oliver
Head, Services Branch
Installations and
Logistics Department
U.S. Marine Corps

Navy Resale & Services Support Office

NAVY RESALE SYSTEM programs are continuing to provide the services and merchandise selections that customers are seeking during the current fiscal year. Several new initiatives make the programs even more valuable to the men and women of the Navy and their families.

Summarizing last year's progress:

Navy Exchanges

Navy exchange worldwide sales were $1,569,700,000, an increase of 3 percent over the previous year. Retail sales were strong during 1984, rising 4.7 percent despite a decline of 4.3 percent in tobacco sales. (The decline in tobacco sales is consistent with an overall trend in the U.S., where per capita use of tobacco appears to be moving downward.)

Several exchange retail departments did rather well in FY 1984. Departments experiencing the most significant sales growth included toys (19.8 percent), consumer electronics (15.5 percent), jewelry (15.1 percent), stationery (15.0 percent), home furnishings (14.5 percent), and candy (12.4 percent).

Navy exchanges contributed $50.7 million to the Navy's morale, welfare and recreation programs during the fiscal year, with $26.3 million being retained at the local base level and the remainder going to support the Navy-wide central recreation fund.

In 1985, sales promotion and special events have been refined as part of the overall objective of attaining real sales growth of at least 1 percent. Several initiatives have been developed to enhance the Navy exchange image, increase sales and properly control promotional activity system-wide

System-wide promotional events have grown from four in 1983 to a total of 15 in 1985. An additional 11 events are scheduled for local or regional implementation. The total number of 26 events seems to be the optimum amount per year. All exchanges will participate in the system-wide sales promotions, which are supported by full color circulars and central purchases by NAVRESSO. The general dates for the local or regional events have been determined by NAVRESSO, but these events will be tailored to meet local market demand by the field support offices or the independent exchanges.

Sales promotion circulars contain a mixture of products featured at everyday low prices, thereby promoting merchandise from existing stock assortments, and a selection of items that have vendor cost price reductions.

Development of planograms for various departments at Navy exchanges enables the exchanges to control shelf space allocation and make available a good selection of basic merchandise items for the customers. The first category of planograms was developed for the self-service departments and includes toiletries, household supplies, stationery and candy.

Each planogram is tailored to store size and specifies individual product location, the number of linear feet per product and adjacent merchandise. Each planogram also has local store options built into the plan.

The planograms are expected to improve in-stock position, maximize stock turns and standardize retail activities.

Sales for Navy exchange brand products increased 67 percent over fiscal year 1983. By this summer, the Navy exchange private label will include approximately 180 line items. Sales are projected at $15 million for this year.

In the area of budget merchandise, consideration had been given to dropping the separate identification of this merchandise and integrating this merchandise with other Navy exchange items. However, the fleet and force master chiefs at their annual conference at NAVRESSO recommended that the budget merchandise identity be retained to avoid the perception that this merchandise was no longer being sold at the exchanges.

Several alternatives were considered, but NAVRESSO elected to retain the name of Budget Merchandise. The green color used in display and signing materials for Budget Merchandise has been changed to earth tones to avoid confusion with the exchange's green tag program, which promotes savings of 15 percent or more below regular selling prices for a selected period of time.

The main emphasis of the Navy exchange budget program in 1985 will continue to be in children's wear, where Budget Merchandise accounts for approximately 35 percent of sales.

Last August, NAVRESSO awarded a ten-year contract to the McDonald's Corporation to establish their fast food family restaurants at Navy bases throughout the world. Based on current construction plans, a total of 54 McDonald's are scheduled to be in operation at Navy bases by January 1986; eight of these will be located overseas — in Italy, Puerto Rico, Bermuda, Guantanamo Bay, Guam and Japan.

Sales at those McDonald's that have already opened are higher than anticipated. Weekly sales at Great Lakes average $86,000; North Island $61,000; Barber's Point $44,000; and Memphis $83,000.

House Armed Services Committee approval to sell personal computers and accessories at ConUS exchanges resulted in the development of a merchandising plan for Navy exchanges. Personal computers will be introduced into selected Navy exchanges this summer. The plan provides display guidelines, stock assortments tailored to store size, and a training program for sales personnel.

Personal computers have been sold overseas since last year; sales of computer hardware and software totaled $2.5 million in FY 1984.

Construction and renovation of Navy exchange facilities will result in seven major projects being completed this calendar year. The following facilities will have grand openings between now and the end of December if everything goes according to plan: Navy exchange shopping mall, Naval Amphibious Base, Little Creek, Va.; exchange complex at Newport, R.I.; Mini-Mart at Naval Air Station, Pensacola, Fla.; new exchange at Naval Air Station, Corpus Christi, Tex.; new exchange at Athens, Ga.; exchange auto center, Kings Bay, Ga.; and a new exchange at Long Beach, Calif.

Commissary Program

The Navy commissary program continues to move ahead in terms of sales and serving the Navy community.

Fiscal Year 1984 sales were $774 million, compared to $694 million for FY 1983, an increase of 11.6 percent. For the first six months of FY 1985, sales were $405.4 million, up 6 percent over the same period last year.

Navy commissary sales have grown at an annualized rate of 8.4 percent since the beginning of fiscal year 1983. This sales performance reflects the continued success of the commissary business strategy which resulted in increased merchandise assortments, improved customer service and the improved availability of product.

The Navy commissary business strategy was updated and modified primarily on the basis of findings of customer-based research studies conducted in 1984. The major emphasis in this year's business strategy will be to stress the savings that commissaries offer. The savings theme will be promoted through in-store banners, point-of-sale reminders and handouts to customers.

Image departments at commissaries are meat and produce. The strategy calls for highlighting the quality of meats sold in the commissary, increasing the number of line items depending on a store's volume, and developing a special theme for meat items.

In produce, the emphasis is on first-rate quality and merchandising techniques that highlight the quality of the produce items.

Grocery departments are being expanded, and assortments are limited only by space constraints. The plan is for large volume stores to eventually carry at least 8,000 grocery items, which would include a wide range of frozen foods, dairy items and a line of generic products. Delis and bakeries will continue to be established and operate at large commissaries where space is available.

Sales promotion will concentrate on in-store promotion, with emphasis on holidays and seasonal events that are normally promoted in the commercial supermarkets. All events will be supported with an aggressive visual merchandising program.

Wherever possible, operating schedules will be adjusted to offer more weekend and evening shopping to accommodate the needs of working families and more evenly distribute customer traffic.

During the past year eight Navy commissaries participated in a test program by which selected Reservists were authorized to shop at commissaries at any time during the year, up to a total of 14 shopping visits.

The test showed that Reservists spend approximately twice as much per visit ($115) as regularly authorized customers ($45). Shopping by Reservists has not adversely impacted on the staffing or facilities requirements of the Navy commissaries participating in the test, which has been extended pending a final decision.

The Navy commissary program is making a significant staffing adjustment this year. Last fall it was announced that the Navy is replacing all military commissary officer billets with civilian personnel. In response to the Navy's need for military officers for fleet requirement billets, NAVRESSO has developed a plan to expedite the recruiting and training of civilian managers to fill the commissary officer billets as quickly as possible with qualified civilians. The first phase will be taking place this summer and the replacement of all 71 military officers in ConUS and overseas is expected to be completed by October 1986.

A test of frequent delivery in the San Diego area appears to be successful. Under the test, the stores electronically transmit daily product quantity requirements to a distributor, who makes deliveries directly to the stores in shelf quantities instead of delivering to the warehouse. Orders for the merchandise are placed with the manufacturers, but deliveries are made by the distributor.

The objective of the test system was to make better use of commissary labor, reduce inventory levels at overcrowded warehouses, improve the in-stock position and expand the range of items carried in the stores. Utilization of the frequent delivery system has resulted in a net savings of 10.8 work years, which were redirected to commissary sales floors. Inventories in the San Diego commissaries declined by 15 percent, while average monthly sales increased by 9.5 percent. Of the 5,800 line items carried by the San Diego region, 2,200 are warehoused, 1,800 are supplied by the distributor under the frequent delivery system, and 1,800 items are direct delivery items such as dairy and bakery products.

A similar distribution test is underway in the Norfolk, Virginia, commissary region.

The scanning of Universal Product Codes is moving along on schedule in the Navy commissary program. Currently, 88 percent of the U.S. commissaries and 11 percent of the Navy stores overseas have scanning capability. By the end of this year, all Navy commissaries in the United States will have scanning and all overseas stores will be scanning by the end of next year.

At the moment, the benefits of scanning being realized include a significant reduction of pricing errors at the register, elimination of work hours needed for individually price marking each product, and the printing out of detailed cash receipt tapes that includes item descriptions. Future advantages of scanning would probably include product movement analysis, inventory reordering and inventory control.

In 1985, the Navy Resale System continues to provide service, satisfaction and savings to Navy customers.

State Department Co-operatives

SECTION 31 OF THE the State Department Basic Authorities Act (22 U.S.C. 2684) is the principal authority governing the 125 post employee associations run at American embassies, consulates general and embassy branch offices abroad. Taken as a group, these had approximate annual gross sales of between $65 and $70 million in 1984.

There are twelve organizations that have projected annual sales of more than $1 million (average annual sales of $2.4 million). Eighteen employee associations have projected annual sales of between $500,000 and $1 million (average annual sales of $650,000), 45 project their sales to be between $100,000 and $500,000 (average annual sales of $246,000), and 46 have projected annual sales less than $100,000 (average annual sales of $48,000).

Embassy post employee associations render a wide range of services, including:

- Commissaries (groceries and dry goods),
- Class VI sales (liquor and tobacco products),
- Operation of recreation facilities, and
- Family and community services, including operating such things as temporary living quarters for newly arrived or TDY employees; assistance, if necessary, with residence leasing and group purchasing; restaurants and social clubs; educational services, such as libraries; family counseling; loan funds for local and American employees, and day-care centers.

Embassy post employee associations are operated as cooperatives and are capitalized by employees through returnable deposits. American goods and services are sold to assist foreign service employees and for representational purposes. Profits are used for welfare and recreation activities or as a donation to the Central Commissary and Recreation Fund.

Whenever feasible, post employee associations are located on U.S. government property and are open to all U.S. citizen employees of U.S. military and civilian agencies and contract employees, in accordance with host government regulations. Associations offer no duplication of facilities offered by other U.S. government agencies.

In October 1983, the Office of Commissary and Recreation Affairs was established at State Department Headquarters in Washington, D.C. It is staffed by two full-time employees and one employee who works part-time in this office. Unpaid college interns on a work/study program also work in the office.

Some of the responsibilities of the Office of Commissary and Recreation Affairs include:

- Providing management counsel, guidance and assistance to the associations;
- Initiating new post and commissary-employee support programs, including providing centralized supply and procurement assistance;
- Assistance in joint embassy and other foreign diplomatic missions, international organizations, and Canadian exchange system procurement activities to save on transportation cost and take advantage of bulk order discounts (when consistant with host government laws);
- Maintaining constant liaison with U.S. suppliers and the foreign distributors and freight forwarders to ensure competitive prices;
- Assisting posts in recruiting professional managers;
- Advising commissaries on new products;
- Developing alternative sources of supply;
- Alerting posts on food health hazards or product recalls;
- Assisting in the development of new associations;
- Identifying employee organizations in financial and management trouble and assisting posts and bureaus in determining corrective action;
- Maintenance of a management information system which provides a profile of each association;
- In-depth analysis of associations' financial statements and audits with follow-up compliance procedures;
- Reviewing and updating management handbooks for employee associations overseas;
- Answering all concerns from associations, whether management or financial, through cables, etc.;
- Operation of a non-appropriated Central Fund to provide loans to associations;
- Visiting posts frequently to provide on-site assistance, and
- Maintaining liaison with the various headquarters of DoD commissary and non-appropriated fund activities and similar operations of other foreign governments or multi-national firms.

Ravi Sikand
Director
Office of Commissary
and Recreation Affairs
Department of State

Troop Support Agency

THE U.S. ARMY TROOP Support Agency has many initiatives under way and plans for others that will help us improve management of commissaries.

Commercial Activities

In May 1984, the Department of the Army announced plans to study the shelf stocking functions at 69 stateside commissaries for possible conversion to commercial contract. To date, performance work statements, management studies and in-house cost estimates have been completed for 42 commissaries.

Thirty-five of these have been submitted for certification to either the U.S. Army Audit Agency, which must review studies involving more than 10 full-time employees, or TSA's Internal Review Office, which reviews studies involving 10 or less. The USAAA has certified the accuracy of in-house cost estimates for five of these studies.

The cost comparison process has been completed at Dugway Proving Ground, Utah, where contracting out was considered more cost-effective. A shelf stocking contract was awarded to Keller and Sons, Inc., of Layton, Utah, which began operations at Dugway on June 1, 1985.

All shelf stocking contract actions are scheduled for completion by the end of September 1986.

Scanning

On May 23, 1985, the U.S. Army Information System Selection and Acquisition Activity, Alexandria, Va., awarded a contract to NCR Corp. of Dayton, Ohio, to install scanning systems in 71 commissaries and annexes at a cost of $16,195,546.

The contract has a 10-year life cycle that includes installation and maintenance of equipment and training of commissary personnel. The government has an option to extend the contract to include all additional 103 commissaries. Presently, TSA has scanning in operation at Fort Lee, Va., Fort Benjamin Harrison, Ind., Fort Belvoir, Va., and Fort Leavenworth, Kan.

We plan to install scanning systems in four commissaries each month, one in each stateside commissary region. The European Commissary Region will not receive scanning until the District Oriented Store System is operational. The first commissary to receive scanning under the contract will be Fort Ord, Calif., in August 1985.

Information Systems Plan

TSA, along with the rest of the Army, is looking for ways to reduce paperwork and still provide managers at all levels with information they need to do their jobs. Automation can help. But until recently, automation efforts have been aimed at solving isolated problems. The result is a combination of stand-alone manual and automated processes. These systems do not allow efficient sharing of information and often result in duplication of effort.

Our need to manage information at all levels has resulted in a contract award to Informatics General Corp. of Columbus, Ohio, for an Information Systems Plan. An ISP is a widely accepted method for identifying critical information needs, users and suppliers, and their relationships.

Informatics has completed all interviews required by this method to define the logically related decisions and activities for management of TSA resources. From the interviews and analysis of existing information flows, Informatics will produce a written report and formal presentation for Agency management officials.

The report will provide the road map for tying together existing information systems and developing new systems to provide critical information timely. The ISP will be a strategic plan through which TSA can assign priorities, identify and assess costs, and measure progress towards accomplishment of automation goals.

EURCOR Reorganization

The EURCOR reorganization is accelerating rapidly as we near completion of the ADP/telephone communications system being developed to support each level of the new organization.

Building renovations for the Giessen, Stuttgart, Munich and Bamberg districts are essentially complete and the initial staffing has been established. Renovation requirements for the Heidelberg facility are being determined now.

We have experienced some minor delays, approximately five months, in our software development schedule. However, the District Oriented Store System software has been delivered to TSA Headquarters where it is receiving extensive testing and necessary rework before being sent to the Frankfurt district this month. All remaining districts will receive the DOSS software by May 1986.

Merchandising and Marketing

As I reported last year, TSA established a Merchandising and Marketing Branch in the Directorate of Commissary Operations. This branch is responsible for standardizing and monitoring the merchandising program throughout the Army commissary system. Since then, we have developed and implemented several programs, such as standardized promotions worldwide, procedures for mandatory promotions, commissary resets, faster methods for adding new items and test market products, and improved ways to review, add and delete resale items on the Authorized Stockage List.

Our philosophy on resets is to have every Army commissary follow a uniform sales floor plan so that a customer could visit any commissary in our system and still be able to find essentially the same items in the same basic commodity groups. Once achieved, the reset program will provide an efficient and consistent shopping pattern, easing customer frustration and making shopping considerably easier. More than a dozen commissaries have been reset to date, and all 178 commissaries will be reset by early 1987.

Another merchandising effort that will improve customer service is our plan to achieve at least 25 percent stock commonality for all commissaries within a region. This means that each region must establish a mandatory stockage list equal to one-fourth of the largest number of authorized line items in any commissary in its region. For instance, if the greatest number of line items stocked by the region's leading commissary is 8,000, the region must establish a mandatory stockage list of at least 2,000 items for all its commissaries. Once accomplished by the end of 1985, stock commonality will help fulfill customer desires for specific items.

Distribution and Storage Study

Last September, TSA awarded a contract to Technology Management Corp. of Virginia Beach, Va., to conduct a distribution and storage study of Army commissaries in the United States. The purpose of the study, which was completed in June, was to determine the most effective method of distributing and storing subsistence in ConUS. TSA is reviewing the study results before implementing any approved recommendations.

Commissary Construction

Our goal for the commissary construction program is to provide state-of-the-art facilities through replacement or renovations of all Army commissaries. TSA's current plan involves 40 projects through Fiscal Year 1991, with major emphasis on long neglected facilities in Germany. Of the 40 projects planned, 24 are slated for Germany.

Three surcharge-funded major construction projects are underway and include new facilities at Fort Jackson, S.C., and Fort Meade, Md., and renovation of the Fort Rucker, Ala., commissary. Also, the government of Japan is funding a new Army commissary at Sagamihara, Japan, and the U.S. Department of State is funding construction of a replacement facility in Cairo, Egypt.

Projects under design include Hanau, Fuerth, Robinson Barracks, Patch Barracks, Wuerzburg and Dexheim, Germany; Yongsan, Korea; and the Presido of San Francisco, Calif., Fort Bragg, N.C., Fort Irwin, Calif., Fort Lewis, Wash., Fort Drum, N.Y., and Fort Leonard Wood, Mo.

Because "Army Families are Our Business," TSA will do its best to guarantee their rights - the right item in the right quantity at the right place at the right time for the right price.

Brig. Gen. James S. Hayes, USA
Commander
U.S. Army Troop Support Agency

Defense Logistics Agency/ Defense Personnel Support Center

TODAY'S UNITED STATES military forces are scattered around the globe and stationed at every type of facility, from large installations to remote one-person sites. Providing a variety of wholesome, nutritious and appealing food is a vital mission of the Defense Logistics Agency.

Subsistence support involves more than actually selecting fresh fruits, meats and canned and packaged goods. It's replacing aging buildings with modern cold storage facilities. It's undertaking initiatives which will lower prices while improving quality. It's reducing order-ship time so customers' needs can be fulfilled quickly. And, unfortunately, it's having to prosecute those companies and their representatives who cheat the government.

These and other ongoing projects in the Defense Logistics Agency are designed to continue and enhance our timely and responsive support to the armed forces and improve their readiness.

With that in mind, let's take a look at some of these initiatives.

Our subsistence storage facility at Bremerhaven, Germany, was housed in a deteriorating 65-year-old building. After analyzing large restoration costs and traffic congestion problems near the existing facilities' railroad yards, the decision was made to build a modern cold storage subsistence facility.

In January 1986, the new, commercially-maintained Bremerhaven facility will begin servicing the North-/North Central European area.

It will have the capacity to store approximately 4,000 short tons of perishable goods, almost double the size of the present building. Currently, our monthly average of short tons, in and out, is 3,300. In the new building we expect that to increase to 5,000, thus improving item availability.

More efficient cold storage handling will be provided with the modern racking methods. Also, a dramatic decrease in the need for emergency leased back-up cold storage space and a lowering of van detention charges are expected with the transfer to the new commercial cold storage facility.

Looking toward lower commissary prices and an increase in selection quality, DLA has launched a test program for competing brand name products sold in European commissaries.

Under the test, the top selling one or two brands will not be competed, while other recognized brand name items will be for a six-month supply period. After negotiations, the military services will select the one or two additional items they want to carry in all their European commissaries.

Our recent testing of one-pound packages of soybean margarine provides a good example. The services decided to retain Parkay and Blue Bonnet, with Land O'Lakes, Imperial and Mrs. Filbert's being competed. Imperial, with a price of 49 cents a pound, was selected.

Pot pies, T.V. dinners and meat hot dogs are the next items to be competitively bought. Solicitations have been issued and a selection will be made shortly.

With lot pricing, it is now possible for vendors to lay out long term voluntary price reductions, advise DLA of the lower prices and be assured they will reach individual commissaries.

Vendor acceptance of this change has been excellent, with 51 companies providing voluntary price reductions on over 1,400 line items from January to March.

To make sure the government is not being charged exorbitant prices for overseas shipments, a two-tier pricing policy has been introduced.

Vendors are now required to submit both a stateside and an overseas price. If the overseas price is higher than the stateside price, then the vendor must justify the higher price. This procedure permits the services to determine whether or not they wish to order the higher priced item.

For items already in the commissary system, a market basket analysis comparing shelf prices of 60 stateside and overseas items has been undertaken.

The analysis, started with East Coast Stateside and European commissary customers in December, was recently expanded to include West Coast commissaries and the Pacific overseas theaters, and to compare commercial grocery store unit prices on both coasts.

Vendors whose items are selling at higher prices overseas than stateside will be contacted and asked to make the lower prices available overseas.

With all these changes affecting the resale system, the agency is watching carefully its selection and training of the subsistence contracting staff. Position responsibilities are being upgraded and management positions increased.

Implementation of the Defense Integrated Subsistence Management System, commonly known as DISMS, continues to draw interest from the resale community.

DISMS' first phase — Fresh Fruits and Vegetable Order/Receipt System — was initiated at all 17 DPSC-controlled subsistence offices and 5 subsistence regions during 1984. Phase Two of this effort — implementation of FFAVORS in Europe — is scheduled to begin this summer.

As the agency reported to you last year, the first increment of the DISMS centralized data base, which includes the financial allotment accounting and contracting post award functions, was implemented. Later in the year, the second increment, dealing with voucher examination and disbursements, went on-line.

In August of this year, increment three — the cataloging, contract-technical data and standard prices — will enter the testing phase. Under this, the Defense Personnel Support Center will be able to manage and maintain its cataloging and technical data and enable other portions of DISMS to access and use this data more efficiently. Standard prices of subsistence items will also be computed.

Full implementation of DISMS will be accomplished in stages. In the meantime, we are reviewing the potential use of uniform product codes in our domestic and overseas operations.

As commissaries move toward scanning at the checkout line, it becomes increasingly clear that there is a need for more coordination among product vendors, DLA and the commissaries. An effort must be made at the technical as well as the commercial level to resolve problems.

The increasing widespread use of Universal Product Codes calls for reexamination of the role of National Stock Numbers in the system.

Presently, we are pursuing the capability to electronically transmit overseas commissary Nonperishable Brand Name Delivery Orders to our customers.

An initial effort, scheduled to begin in July 1985, will be the testing of transmissions between the Defense Personnel Support Center and Procter and Gamble Co. using the Uniform Communications Standard. Once initial experience is obtained, the test will be expanded to 24 additional suppliers.

The capability to exchange data within a standard format will benefit not only DLA and its activities but suppliers and the entire commissary system as well.

As DISMS continues to be implemented and the potential of the Uniform Communications Standard is realized, we must also reexamine the value of the traditional Supply Bulletin as a vehicle for doing business.

For years, the Supply Bulletin has served as a valuable tool in the resale business. However, new technologies are creating better ways to conduct business. Efforts are now under way to mechanize this process and to provide electronic update and inquiry to and by vendors and customers.

The Defense Logistics Agency has always tried to assure that our customers receive fresh, nutritious food at a fair price. Unfortunately, certain vendors and vendor representatives still feel they can make profits by providing substandard products or falsifying their contractural documents.

DLA has and will continue its strong efforts in making sure this is discovered and corrected. We, as the supplier of the military's subsistence needs, do not intend to deal with people of companies who have demonstrated that they cannot be counted on to deal fairly with the governement.

Through these and other on-going actions, the Defense Logistics Agency, a dynamic partner with the military services, continues to enhance its timely and efficient support to our Armed Forces and in turn improve their readiness.

Lt. Gen. Donald M. Babers, USA
Director
Defense Logistics Agency

Military Market index

Commissaries

		MARCH CY'85	MARCH CY'84	MARCH %	YEAR TO DATE CY'85	YEAR TO DATE CY'84	YEAR TO DATE %
Air Force	CONUS	$156,609	$165,683	-5.48	$449,227	$452,898	-.81
	OVERSEAS	31,471	32,217	-2.32	90,142	88,101	2.32
	TOTAL	**188,080**	**197,900**	**-4.96**	**539,369**	**540,999**	**-.30**
Army	CONUS	111,825	114,765	-2.56	314,685	313,215	.47
	OVERSEAS	32,655	35,280	-7.44	93,450	97,545	-4.20
	TOTAL	**144,480**	**150,045**	**-3.71**	**408,135**	**410,760**	**-.64**
Navy	CONUS	75,975	72,777	4.39	191,343	181,377	5.49
	OVERSEAS	8,218	8,602	-4.46	21,190	21,123	.32
	TOTAL	**84,193**	**81,379**	**3.46**	**212,533**	**202,500**	**4.95**
Marines	CONUS	15,694	13,596	15.43	42,151	38,872	8.44
	OVERSEAS	211	210	0.48	695	557	24.78
	TOTAL	**15,905**	**13,806**	**15.20**	**42,846**	**39,429**	**8.67**
Coast Guard	CONUS	302	263	14.83	867	724	19.75
	OVERSEAS	263	240	9.58	870	759	14.62
	TOTAL	**565**	**503**	**12.33**	**1,737**	**1,483**	**17.13**
All Commissaries	CONUS	$360,405	$367,084	-1.82	$998,273	$987,086	1.13
	OVERSEAS	$72,818	$76,549	-4.87	$206,347	$208,085	-.84
	TOTAL	**$433,223**	**$443,633**	**-2.35**	**$1,204,620**	**$1,195,171**	**.79**
Grocery Stores	U.S.[1]	**$21.597**	**$21.177**	**1.98**	**$62.112**	**$59.858**	**3.77**

Exchanges

		MARCH CY'85	MARCH CY'84	MARCH %	YEAR TO DATE CY'85	YEAR TO DATE CY'84	YEAR TO DATE %
AAFES	CONUS	$232,130	$229,789	1.02	$627,802	$626,844	.15
	OVERSEAS	150,095	156,269	-3.95	428,409	439,007	-2.41
	TOTAL	**382,225**	**386,058**	**-0.99**	**1,056,211**	**1,065,851**	**-.90**
Navy	CONUS[2]	87,678	85,717	2.29	232,461	227,610	2.13
	OVERSEAS[2]	34,932	35,387	-1.29	98,838	97,999	.86
	TOTAL[2]	**122,610**	**121,104**	**1.24**	**331,299**	**325,609**	**1.75**
Marines	CONUS	29,538	28,447	3.84	78,313	77,303	1.31
	OVERSEAS	4,684	4,724	-0.85	13,586	13,412	1.30
	TOTAL	**34,222**	**33,171**	**3.17**	**91,899**	**90,715**	**1.31**
Coast Guard	CONUS[3]	6,607	6,177	6.96	17,916	16,735	7.06
	OVERSEAS[3]	509	765	-33.46	1,429	2,078	-31.23
	TOTAL[3]	**7,116**	**6,942**	**2.51**	**19,345**	**18,813**	**2.83**
Mail Order	CONUS[4]	1,290	1,324	-2.57	3,670	4,506	-18.55
	OVERSEAS[4]	3,812	4,022	-5.22	10,342	12,088	-14.44
	TOTAL[4]	**5,102**	**5,346**	**-4.56**	**14,012**	**16,594**	**-15.56**
All Exchanges	CONUS	$357,243	$351,454	1.65	$960,162	$952,998	.75
	OVERSEAS	$194,032	$201,167	-3.55	$552,604	$564,584	-2.12
	TOTAL	**$551,275**	**$552,621**	**-0.24**	**$1,512,766**	**$1,517,582**	**-.32**
Department Stores	U.S.[1]	**$9.933**	**$9.215**	**7.76**	**$25.362**	**$23.959**	**5.86**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4)Include consolidated sales for all services, including Coast Guard.

Individual figures may not add up to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

NOTE: 1984 Army sales data for commissaries has been adjusted to reflect revised data received from the U.S. Army Troop Support Agency.

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Military Market serving the military retail system

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Military Market survey

Commissary Resets:

Blackmail For A Cheap Source of Free Labor?

NOBODY LOVES A RESET, but most brokers have resigned themselves to accepting them as a necessary evil and a condition of doing business with the commissaries.

But that doesn't mean they like them. Hardly. For this month's survey, 34 respondents sounded off about the pressures on them to perform resets for commissaries — pressures from the systems, their employers and their own families.

Said one, "I've been told that if I don't come in on my weekend and perform this reset for the commissary, that my product will lose shelf space to my competitors. Now, if that isn't blackmail, what is it?"

Another broker said, "The systems have found a way to get free labor through blackmail."

Eight respondents said they had done 20 or more resets so far this year, and another 15 said they have done between one and five. Having to do resets of resets is a variation on the basic problem, and one broker said he'd performed five resets so far this year — on only two stores!

Twenty vendors experienced the humiliation of finding themselves locked inside a commissary, preventing them from leaving during a reset. Said one, "The commissary officer thought too many people were sneaking out at 10:45 p.m., when the reset was supposed to be over by 11, so he locked us in. We had been there since 4 p.m. of that day . . . a Sunday."

Vendors also don't like having to pay to feed themselves while doing what amounts to free labor for the stores. Twenty-four respondents said they were required to contribute money for snacks and beverages during the course of resets.

Twenty-four vendors said they had spent two or more consecutive weekends doing resets. Complained one, "When you work between 50 and 60 hours a week, with all sorts of travel, the weekends I can spend alone with my family are like gold. Two consecutive weekends is too much to ask."

Vendors also complain about having to set not only their own products, but often those of their competitors, too. Janitorial jobs such as assembling shelving and mopping floors were the norm. All 34 brokers said they had been required to do such tasks.

While some favor doing one reset per month, or doing resets by product categories, the weekend scheduling of resets was the most distasteful aspect of resets for most vendors.

So how can the problem of scheduling be solved? About two thirds of our respondents (22 of 34) voted to conduct resets on Mondays and Tuesdays, rather than solely on weekends. Said one, "The seven-day workweek was outlawed years ago."

When it comes to pointing fingers at the systems for conducting bad resets, the Army was fingered as No. 1 culprit by 31 of 34 respondents, frequently citing a lack of organization and planning on the part of TSA.

Unfortunately, respondents are dubious about the value of resets. Said one, "The thing that really bugs me about them is that the reset doesn't hold after you've done it. I've gone back into a store a month after the reset and everything had been changed. It really made me feel like my work had [not] been appreciated."

However, brokers agree that resets can serve a useful purpose, allowing them to re-allocate shelf space according to established planograms or their products' share of market. And, as one sarcastically noted, "It's the only time when I seem to be able to get new products introduced into the system."

But they feel strongly about actually stocking the shelves during a reset. Said one, "When you look at the word reset, it says exactly what industry should do — reset the items on the shelf and then leave. Let the regular store employees restock the shelves. That shouldn't be our job."

A final annoyance is that vendors feel their efforts are often unappreciated. Said one, "It would be nice to get a thank-you card, or at the very least, for store personnel to make you feel as if giving up your weekends for them was worthwhile." **MM**

1. HOW MANY RESETS HAVE YOU OR YOUR EMPLOYEES PARTICIPATED IN SO FAR THIS YEAR? 1-5 — 15. 6-10 — 5. 11-15 — 3. 16-20 — 3. More than 20 — 8.

2. HAVE YOU OR YOUR STAFF EVER BEEN LOCKED INSIDE A STORE DURING A RESET? Yes — 20. No — 13. Don't Know — 1. **. . . BEEN REQUIRED TO CONTRIBUTE MONEY FOR SNACKS AND BEVERAGES DURING A RESET?** Yes — 23. No — 9. Don't know — 2. **. . . SPENT TWO OR MORE CONSECUTIVE WEEKENDS DOING RESETS?** Yes — 24. No — 10. **. . . BEEN REQUIRED TO SET PRODUCTS THAT YOUR COMPANY DOES NOT REPRESENT?** Yes — 29. No — 5. **. . . BEEN REQUIRED TO MOP FLOORS, ASSEMBLE SHELVING, OR DO OTHER JANITORIAL CHORES?** Yes — 34. No — 0.

3. BECAUSE RESETS TAKE AWAY MUCH OF A SALESPERSON'S PERSONAL TIME ON WEEKENDS, SOME ALTERNATIVES HAVE BEEN PROPOSED. WHICH WOULD YOU PREFER? DO ONE RESET PER STATE PER MONTH (OR PER REGION, IN LARGE STATES) — 4. RESET A STORE IN SECTIONS OVER THREE CONSECUTIVE MONDAYS — 4. CONDUCT RESETS ON MONDAYS AND TUESDAYS — 22. DO MINI-RESETS (1-3 SECTIONS PER STORE, FOLLOWING CATEGORY REVIEWS) — 0. STICK WITH THE CURRENT PROCEDURES — 4.

4. THE SERVICES ARE RESETTING STORES TO IMPROVE THE WAY PRODUCTS ARE MERCHANDISED AND DISPLAYED. ONCE A STORE HAS BEEN RESET, HAVE YOU SEEN AN INCREASE IN THE SALES OF THE PRODUCTS YOUR FIRM REPRESENTS? Yes — 15. No — 3. Sometimes — 16.

5. DO YOU THINK THE SERVICES ARE DISORGANIZED IN THE WAY THEY CONDUCT RESETS? Yes — 31. No — 2. Don't know — 1. **WHICH SYSTEM IS THE MOST DISORGANIZED?** Army — 31. Navy — 1. Air Force — 2. Marines — 0.

6. THE AMERICAN LOGISTICS ASSOCIATION HAS PROPOSED THE USE OF AN ELECTRONIC BULLETIN BOARD TO MONITOR AND COORDINATE RESET SCHEDULES. WHEN IT'S ON-LINE, WILL YOUR FIRM MAKE USE OF THIS BULLETIN BOARD? Yes — 16. No — 9. Don't know — 9. **DO YOU THINK USING IT WILL HELP SOLVE RESET SCHEDULING PROBLEMS?** Yes — 8. No — 18. Don't know — 8.

7. WHAT'S THE BEST THING YOU CAN SAY ABOUT RESETS? (See story)

8. WHAT'S THE WORST THING? (See story)

9. HOW DOES YOUR FAMILY FEEL ABOUT RESETS? (See story)

10. HOW WOULD YOU IMPROVE THE WAY RESETS ARE CONDUCTED? (See story)

Military Market index

Commissaries

		APRIL CY'85	APRIL CY'84	APRIL %	YEAR-TO-DATE CY'85	YEAR-TO-DATE CY'84	YEAR-TO-DATE %
Air Force	CONUS	$146,832	$139,881	4.97	$596,059	$592,780	0.55
	OVERSEAS	28,814	27,976	3.00	118,956	116,077	2.48
	TOTAL	**175,646**	**167,857**	**4.64**	**715,015**	**708,857**	**0.87**
Army	CONUS	102,795	99,015	3.82	417,480	412,230	1.27
	OVERSEAS	29,715	31,605	-5.98	123,165	129,150	-4.63
	TOTAL	**132,510**	**130,620**	**1.45**	**540,645**	**541,380**	**-0.14**
Navy	CONUS	57,318	55,601	3.09	248,661	236,978	4.93
	OVERSEAS	6,354	6,406	-0.81	27,544	27,529	0.05
	TOTAL	**63,672**	**62,007**	**2.69**	**276,205**	**264,507**	**4.42**
Marines	CONUS	13,562	12,169	11.45	55,714	51,041	9.16
	OVERSEAS	239	196	21.94	934	752	24.20
	TOTAL	**13,801**	**12,365**	**11.61**	**56,648**	**51,793**	**9.37**
Coast Guard	CONUS	202	217	-6.91	1,069	941	13.60
	OVERSEAS	313	336	-6.85	1,183	1,095	8.04
	TOTAL	**515**	**553**	**-6.87**	**2,252**	**2,036**	**10.61**
All Commissaries	CONUS	$320,709	$306,883	4.51	$1,318,983	$1,293,970	1.93
	OVERSEAS	$65,435	$66,519	-1.63	$271,782	$274,603	-1.03
	TOTAL	**$386,144**	**$373,402**	**3.41**	**$1,590,765**	**$1,568,573**	**1.41**
Grocery Stores	U.S.[1]	**$21.077**	**$20.076**	**4.99**	**$83.236**	**$79.934**	**4.13**

Exchanges

		APRIL CY'85	APRIL CY'84	APRIL %	YEAR-TO-DATE CY'85	YEAR-TO-DATE CY'84	YEAR-TO-DATE %
AAFES	CONUS	$244,915	$235,807	3.86	$872,717	$862,652	1.17
	OVERSEAS	159,983	165,239	-3.18	588,393	604,247	-2.62
	TOTAL	**404,898**	**401,046**	**0.96**	**1,461,110**	**1,466,899**	**-0.39**
Navy	CONUS[2]	93,611	94,247	-0.67	326,072	321,857	1.31
	OVERSEAS[2]	39,141	38,643	1.29	137,979	136,642	0.98
	TOTAL[2]	**132,752**	**132,890**	**-0.10**	**464,051**	**458,499**	**1.21**
Marines	CONUS	29,288	27,782	5.42	107,602	105,086	2.39
	OVERSEAS	5,086	5,091	-0.10	18,672	18,502	0.92
	TOTAL	**34,374**	**32,873**	**4.57**	**126,274**	**123,588**	**2.17**
Coast Guard	CONUS[3]	6,872	6,490	5.89	24,788	23,225	6.73
	OVERSEAS[3]	540	813	-33.58	1,969	2,892	-31.92
	TOTAL[3]	**7,412**	**7,303**	**1.49**	**26,757**	**26,117**	**2.45**
Mail Order	CONUS[4]	1,066	1,218	-12.48	4,736	5,724	-17.26
	OVERSEAS[4]	1,046	3,515	-70.24	11,388	15,604	-27.02
	TOTAL[4]	**2,112**	**4,733**	**-55.38**	**16,124**	**21,328**	**-24.40**
All Exchanges	CONUS	$375,752	$365,544	2.79	$1,335,915	$1,318,544	1.32
	OVERSEAS	$205,796	$213,301	-3.52	$758,401	$777,887	-2.50
	TOTAL	**$581,548**	**$578,845**	**0.47**	**$2,094,316**	**$2,096,431**	**0.10**
Department Stores	U.S.[1]	**$10.414**	**$9.681**	**7.57**	**$35.848**	**$33.640**	**6.56**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

Individual figures may not add to totals because of rounding. All sales are expressed in thousands (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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Military Market

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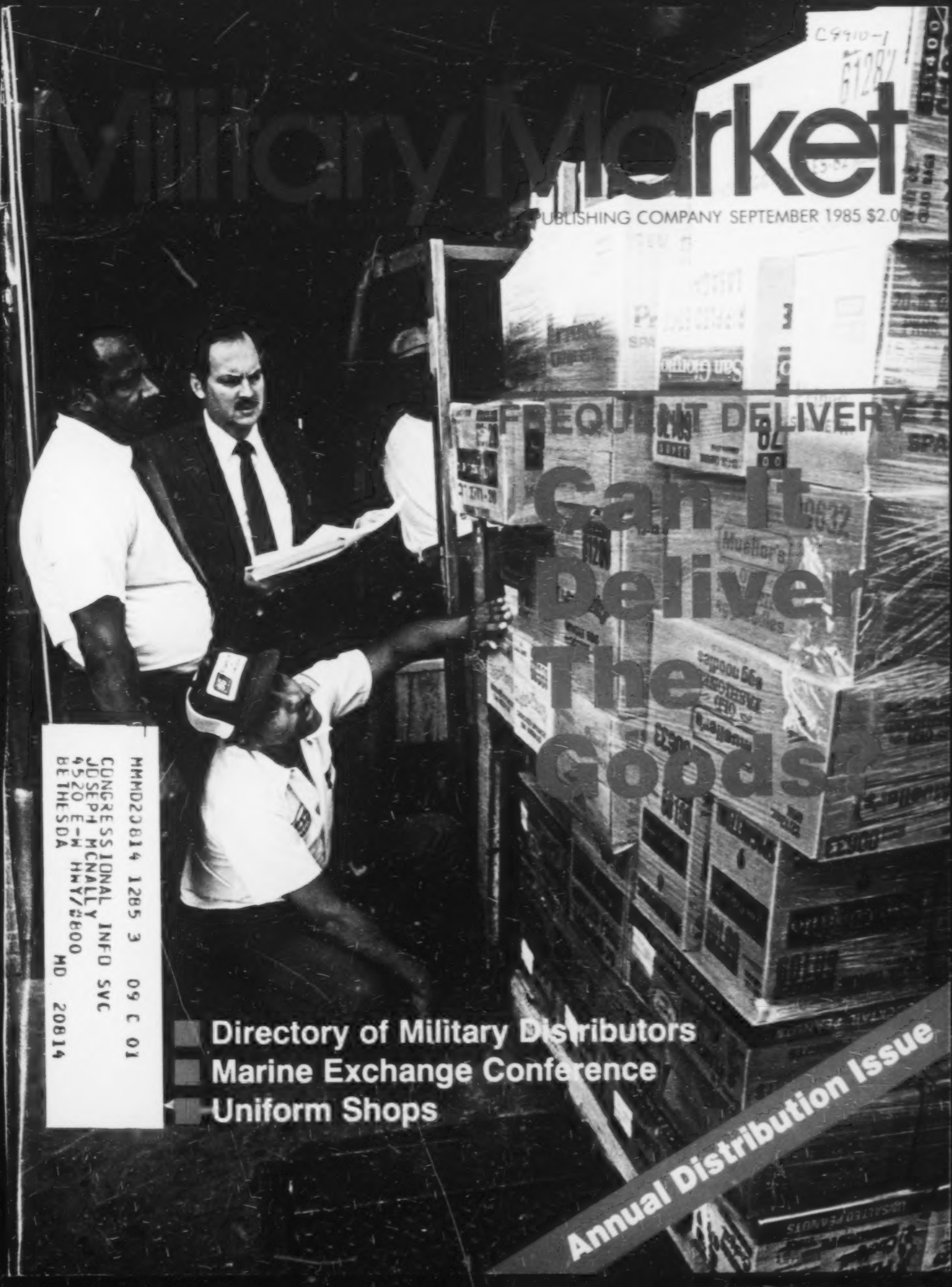

Can It Deliver The Goods?

- Directory of Military Distributors
- Marine Exchange Conference
- Uniform Shops

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Military Market survey

Distributors & Direct-Store Delivery

'Get rid of those peaks and valleys'

DISTRIBUTORS SEEM genuinely pleased with the progress of frequent direct store delivery programs currently under way in commissaries.

From the responses garnered this month from 19 commissary distributors, whose corporate experience with the military resale systems ranges from 4 years to more than 45 years, most are extremely positive and hopeful about frequent deliveries.

They are, said one, "a definite advantage to the distributor as well as the commissary, because, now, instead of having large quantities twice a month, deliveries can be two or 10 cases per order.

"This way, there's not as much depleting of inventories with large quantities required on sudden, short notices."

Another thinks that frequent deliveries will help get rid of "all the peaks and valleys" in ordering. "This allows for faster recovery from an out-of-stock condition and a fresher product on the shelves," he says.

Eighteen of the 19 respondents said they handle only military accounts. The single respondent who also handles civilian accounts said the major difference between the two markets is the "greater amount of paperwork and hassles involved in doing business with the military."

Only four respondents said they performed any rack-jobbing services for the military. None of these had encountered any direct or indirect pressures against them from brokers or others in the resale business, they said.

Seven distributors said they are currently involved with direct-store delivery tests. Several who are not currently involved in DSD programs said they are looking forward to taking part, should it become a systemwide practice.

The only severe problem that surfaced in questionnaire responses is the ever-present one — too much waiting time to unload trucks. "This is a problem which just doesn't seem to go away, and with more frequent deliveries and more trucks waiting to unload, it's only gotten worse," laments one.

Asked if they think DSD will eliminate military brokers, respondents said they definitely don't believe that frequent deliveries will diminish the role of the sales representative — 16 of the 19 respondents said this is unlikely. Some even think it will free brokers to do more promotional tasks.

Says one, "The salesperson is hired to promote a product, not inventory and not to chase store personnel around all day trying to get a signature on yet another form. With electronic ordering systems and frequent deliveries, this will only free salespeople to work displays, arrange VPRs, present new items and even take on a new product line. The salesperson was hired to be a merchandiser — not an order taker. They will remain a very important and essential part of the marketing chain."

Several respondents point to electronic ordering systems and in-store scanning as the biggest changes they've witnessed since entering the business. Others say they have an overall impression that commissaries are doing things a little bit differently. Efficiency, says one distributor, is "not a word usually associated with commissaries, I know, but they seem to be a lot more efficient today with scanning, lot pricing and electronic ordering."

Computers are becoming a mainstay for distributors, too. All 19 respondents say they use computers in some aspect of their operations — for inventory, accounts receivable, accounts payable, ordering, billing, movement information or invoicing. Says one, "Our whole operation is geared towards the computer."

Their major beef with manufacturers is "Sometimes they treat us as a public warehouse, overloading us with merchandise to satisfy their needs of low quantities of merchandise to be shipped to us by full truck from a distant manufacturing plant."

With military brokers the problem is communication, or the lack of it: "Sometimes we don't find out about a new item offered to the military until we receive the order to ship."

Another says, "We are not always getting enough lead time on dead, discontinued items — it's all a matter of talking to one another and communicating." MM

1. **HOW MANY YEARS HAS YOUR COMPANY BEEN IN THE DISTRIBUTION BUSINESS?** 1-5 — 2. 5-10 — 3. 10-20 — 4. 20 or more — 10.
2. **IF YOU DISTRIBUTE TO BOTH MILITARY AND CIVILIAN CUSTOMERS, HOW DO THE TWO TYPES OF ACCOUNTS DIFFER?** (See story for comments)
3. **WHAT, IF ANY, IN-STORE SERVICE DOES YOUR COMPANY SUPPLY TO COMMISSARIES?** (See story for comments)
4. **DO YOU DO ANY RACK-JOBBING IN POST OR BASE EXCHANGES? IF YES, IN WHAT CATEGORIES?** Yes — 4. No — 15.
5. **IF YOU RACK-JOB IN EXCHANGES, HAVE YOU ENCOUNTERED ANY DIRECT OR INDIRECT PRESSURE AGAINST YOU BECAUSE YOU ARE A RACK-JOBBER?** Yes — 0. No — 4.
6. **IF SO, WHAT TYPE OF PRESSURE HAVE YOU ENCOUNTERED?**(See story for comments)
7. **ARE YOU INVOLVED IN ANY TEST OF FREQUENT DIRECT-STORE DELIVERIES WITH ANY OF YOUR COMMISSARY ACCOUNTS?** Yes — 7. No — 12.
8. **IF SO, WHAT ARE THE BENEFITS AND THE DISADVANTAGES OF FREQUENT DIRECT—STORE DELIVERY?** (See story for comments)
9. **WITH DISTRIBUTORS DOING MORE FREQUENT DELIVERIES AND USING ELECTRONIC DATA INTERCHANGE, DO YOU THINK IT'S POSSIBLE THAT SALES REPRESENTATIVES WILL NO LONGER BE NEEDED IN THE MILITARY RESALE BUSINESS?** Yes — 3. No — 16.
10. **WHAT IS THE BIGGEST CHANGE YOU'VE SEEN SINCE ENTERING THE BUSINESS? HAS THIS CHANGE BEEN GOOD OR BAD?** (See story for comments)
11. **HOW DO YOU USE COMPUTERS IN YOUR BUSINESS?** (See story for comments)
12. **WHAT IS YOUR BIGGEST PROBLEM IN DEALING WITH MANUFACTURERS?** (See story for comments)
13. **WHAT IS YOUR BIGGEST PROBLEM IN DEALING WITH MILITARY BROKERS?** (See story for comments)
14. **WHAT IS YOUR BIGGEST PROBLEM IN DEALING WITH THE MILITARY RESALE SYSTEMS?** (See story for comments)
15. **IF YOU COULD CHANGE ANYTHING ABOUT THE MILITARY DISTRIBUTION BUSINESS, WHAT WOULD IT BE?** (See story for comments)

RULING, from page 18

lower-level positions, defined as grades between UA-5 and UA-12, women received just 88.6 percent of the promotions, while men received 109 percent of them. "Such a difference," Buchmeyer declared, "represents a significant disadvantage for the female employee."

In its defense, AAFES contended that requiring mobility was necessary to maintain an adequate source of workers to staff its worldwide facilities. But Buchmeyer noted this was "not supported by any study or any empirical evidence."

Buchmeyer also said that female employees of the exchange service "are paid less than men." This disparity, he argued, is partially due to differences in both initial job assignments and promotions.

Shafer's lawyer Thorpe told MILITARY MARKET that, "I believe we showed rather conclusively that it costs an average of 15 cents on the dollar to be a female worker within AAFES, in terms of both salary and grade promotions."

The next stage of the litigation, tentatively scheduled for November of this year, will address individual claims of discrimination by female employees of AAFES who are affected by Buchmeyer's decision.

Those women directly benefitting from Shafer's class-action suit are defined as any female employed at either AAFES headquarters or the fashion distribution center after April 1, 1972. However, since many of these women have been subsequently transferred to other locations since that time, the benefactors are spread out across the world.

"Not *all* AAFES employees will be able to file claims," observed an agency spokesman, "... just those denied promotions during the class period — from April 1, 1972 to February 3, 1982."

In addition, if AAFES decides to drop its mobility requirement, every employee, female and male alike, above the grade of UA-12 within AAFES worldwide, more than 1550 employees in all, could be affected.

The judge's order calls for Thorpe, Shafer's lawyer, to suggest a way of estimating the total monetary loss to the women affected. Buchmeyer will then decide whether to approve the award or not.

Although Thorpe was unable to estimate the loss, a source familiar with the ramifications of the case told MILITARY MARKET: "We could be looking at $40 million or more, since it [the case] goes back for more than 10 years."

Thorpe explained that there are two possible scenarios for settling monetary claims in the case. Either each woman affected by the decision could file a separate claim, or the judge could decide on a class-wide basis to establish a single settlement figure, divided among the women filing claims.

Thorpe argues that other women who file claims will not have any responsibility to establish the burden of proof in their claims. "AAFES is going under the assumption that the women affected by the decision will have to establish the burden of proof in each individual case, but it will be our contention that we have already established this."

He also believes, Thorpe added, that effects of the decision could be felt worldwide among more than 70,000 AAFES employees, 68 percent of whom — 37,000 — are women. "It's not inconceivable that AAFES will do away with its mobility requirement entirely. That would clear the way for women to move into higher level jobs outside of the U.S., where [because of the mobility requirement] they previously could not."

Stafford Hutchinson, the assistant U.S. attorney who represented AAFES in this case, declined any comment on the judge's decision.

AAFES officials have generally declined comment on the case, although official spokesman Ken Boniface did say that, "We do not agree that our policies or practices are discriminatory to female employees." Boniface added that AAFES is discussing an appeal with the Department of Justice.

More data on DoD commissary test of Reservist privileges

The Defense Department and the Office of Management and Budget recently told Congress that they oppose expanding Reservist commissary shopping privileges. (See MILITARY MARKET, August 1985).

In making that decision, the Defense Department had conducted a test — mandated by Congress — of three regions to gauge the use of commissaries by Reservists.

A DoD official noted that no reliable comparison can be made of the test results among the three regions, because of variation — by region — in the distances between Reservists' homes and nearby commissaries.

Below are the results of the test.

Commissary Reserve Test
Weighted Utilization Rate

Average Utilization Rate by Test Area (%)	Test Pop.	Pop. Weight	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg.
New England	60,911	6	0.2	1.3	4.1	4.3	4.9	5.2	4.9	4.8	4.8	4.7	5.2	6.9	4.3
San Antonio, Tex.	10,229	1	5	13	21	18	19	21	18	22	20	19	23	28	18.9
Los Angeles, Cal.	30,384	3	0.3	2.2	6.5	6.7	6.6	9.3	7.9	9.0	8.5	8.8	10.2	12.7	7.4
Weighted average utilization rates:			0.7	2.7	6.5	6.4	6.8	8.0	7.1	7.8	7.4	7.4	8.5	10.8	6.6

Commissary Reserve Test Area Statistics
Dollar Recap of Sales Increase

($000)	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	12 Month Total	Annual Sales	Annual % Increase
New England	21	112	350	370	416	444	415	413	411	400	443	588	4,383	104,304	4.2%
San Antonio	73	191	306	262	277	306	263	317	289	277	328	407	3,296	122,532	2.7%
Los Angeles	14	94	276	283	281	397	336	381	363	375	433	540	3,773	121,440	3.1%
Total Test Sales	108	397	932	915	974	1,147	1,014	1,111	1,063	1,052	1,204	1,535	11,452	348,276	3.3%

system of the month

SALE
HALF PRICED

LOOKING FOR A FEW GOOD BARGAINS: Shoppers look over merchandise at Henderson Hall exchange, Arlington, Va. *(Staff photos by Tracy Woodward)*

MCX: On the Same Wavelength

Charged by their four-day rally, Marine Corps exchange managers gain fresh ideas and plan to make some changes back at local stores.

By JAY BLUCHER
Associate Editor

ONE OF THE MANY benefits that comes from running a small, decentralized system like the Marine Corps exchanges is being able to bring all exchange managers and headquarters people together under one roof. The Marines do it once a year.

"It ensures that we're all operating on the same wavelength," is how one exchange manager described the Marine Corps exchange conference, held June 12-15 at New York City's Sheraton City Squire Hotel.

Eighty-four people attended — 65 exchange representatives worldwide and 19 people from headquarters. The sessions covered virtually every area of an exchange manager's concern.

Besides a store-by-store analysis of Marine Corps' sales and trends, attendees heard retail experts from the commercial sector speak on matters dear to their hearts — reaching off-base shoppers, maintaining healthy relationships with customers and tips for better buying.

"The feedback we have received at headquarters from this conference has simply been spectacular," Irv Feinberg, Marine Corps Service Branch operations officer, tells MILITARY MARKET.

"It's so good for exchange managers to hear about the problems other managers face, and how they are seeking to remedy those problems. It makes them realize that they are not alone with their problems."

Holding the conference in New York City, the mecca of retailing, had spinoff benefits for many managers. "Visiting some of the major department stores up here, such as Macy's and Bloomingdale's, has given me a lot of incentive to re-evaluate what we've been doing, and try to incorporate some of the things I've seen up here," exclaimed one.

"We try to hold our annual conference in a major market area," explains Feinberg, "so that our exchange managers can learn about some other aspect of their operations. There should be more to a conference than just listening to all us headquarters people pontificate from a podium."

MCX at a Glance

The three themes of this conference, outlined by Col. Bill Irwin, head of the Marine Corps Exchange Service Branch, were "to improve customer service, better manage our people and keep talking to our customers."

Irwin stressed that Marine Corps exchange outlets must become more aggressive to compete with off-base retailers. "We are entering an era of little retail growth in the future, and if there's any growth in the years ahead, it's going to have to come at the expense of other retailers," Irwin said.

Irwin gave exchange officers and managers a quick look at their year's performance. Total systemwide sales topped $408 million in 1984, a 2.6 percent increase over the previous year. For the entire system, profits were a healthy $23.76 million, representing 5.82 percent of total sales. Over the last ten years, MCX sales have increased by 52.1 percent.

But Irwin warned that these figures are not as rosy as they might seem. The department store index, which measures the impact of inflation on the merchandise sold in commercial retail department stores, has increased 44.7 percent over the last ten years. This means, Irwin said, "that in terms of real growth, Marine exchanges have witnessed [only] a 7.4 percent increase over the last ten years."

In a more upbeat note, "The areas where we make our money showed increases in 1984," he said. "Vending is still our little gold mine — with 6 percent of our sales generating 29 percent of our profit."

Irwin compared Marine sales to the other resale systems. Navy's total sales increased by 3 percent, while AAFES saw a slim 1.7 percent increase. Navy exchanges outstripped their Marine counterparts slightly in 1984, as they did in 1983. *[EDITOR'S NOTE: See chart.]*

The Marines' 1984 goal was for each main store to show 4.5 percent of its total sales as net profit. But "over half of our exchanges did not meet this goal," charged Irwin.

The exchange at Parris Island, S.C., registered the highest percentage for sales as a percent of profit: 7.5 percent. Camp Elmore, Va., registered the lowest: a minus 0.49 percent of its sales as net profit.

Also, there was a bad side to the good news. "If your store ended the year at over 6.5 percent, you're subject to the accusation that you are gouging your customers," Irwin cautioned. "If your store is above 6.5 percent, you want to seriously reconsider your markups."

Service stations remain a problem area. As Irwin told the group, "It's definitely the toughest market we're in. But, if you make any profit at all, you're helping your exchange and, if you're in a plus situation at all, it behooves you to stay in this market."

All but one Marine Corps exchange showed a profit from food service in 1984. The highest numbers were posted at Camp Lejeune, N.C., with a 19.8 percent operating profit. Guantanamo Bay, Cuba, had the poorest showing, with a massive display of red ink at minus 34.38 percent.

The sour subject of bad checks surfaced as well, with Camp Pendleton, Calif., leading the list with more than $92,000 in bad checks passed last year. "Bad checks are just bad business," said Irwin. "We have to write off one dollar for every $2.70 worth of bad checks. On a systemwide scale, this means that it cost the Marines more than $67,000 last year. We don't recoup our losses on bad checks."

Fast Food Update

Fast food operations remain the stellar performers for Marine exchanges. Managers without Burger Kings or McDonald's on their bases heard glowing praises from those who did.

> **"We are entering an era of little retail growth ... and if there's any growth in the years ahead, it's going to have to come at the expense of other retailers."**

"I can tell you all that fast food is the best thing that ever happened at my base, and urge all of you to seriously look into it," said Ken Lewis, general manager at the El Toro exchange. "We have not yet seen the full impact of the Burger King at our location, and we're averaging more than $14,000 a day."

Fast food operations in the Marine Corps differ from base to base, another example of the Marines' localized approach to the resale world.

Lt. Col. Ben King, exchange officer at Camp Pendleton, told the group that his store's contract with McDonald's began in February 1983; the contract was re-negotiated in February 1984 for four more years. The contractor pays for the utilities, and the Marines get 15.75 percent of sales.

Camp Pendleton has a Burger King contract, and will reap 20.5 percent, with Burger King paying for the construction costs. At Camp Lejeune, N.C., the Burger King contract lasts for five years, with one five-year extension. The Marines pay for the utilities at this location, but get 21.01 percent of sales.

"The Burger King never cost the Marines one cent to build, and it did more than $4.5 million in its first year of operation," said Maj. Dorsey Robinson, exchange officer at Lejeune.

At El Toro, there is a five-year McDonald's contract, with five one-year extensions. The Marines paid for construction costs; McDonald's pays for the utilities. The exchange gets 18.2 percent of sales.

El Toro's Ken Lewis noted that fast food outlets did not hurt dining facilities at the base. "We have actually see an 11 percent increase in the use of our dining halls since fast food came here. It's obviously keeping our Marines on the base."

Learning About Off-Pricers

Conference attendees heard a presentation by Isaac Lagnado, director of research at Associated Merchandising Corp., a consulting agency providing market research and data to a group of private retailers since 1979.

Some of the first research on off-price outlets was done at AMC, and some of these off-price stores are major retail competitors for some Marine exchanges. Lagnado stressed that research confirms that there are three types of forgotten customers who flock to off-price outlets — moderate income, tradition-minded and convenience shoppers.

AMC has also conducted research on career women — what they buy, how they shop and what they look for in a store. Most recent Marine exchange surveys show that they are missing more than 75 percent of the potential market for career women.

"Career women are very brand aware," said Lagnado, "so much so

1984 Marine Corps Versus "the Other Guys"
(in millions)

	AAFES	NAVRESSO	MCX
Sales	$4,852.9	$1,569.7	$ 408.0
% Increase	1.7	3.0	2.6
Net Profit	$ 236.3	$ 72.8	$ 23.7
% of Total Sales	4.9	4.6	5.8
Donation to Recreation	$ 118.2	$ 50.8	$ 17.6
% of Total Sales	2.4	3.2	4.3
% of Net Profit	50.0	69.8	74.3

SHRINKAGE
% short to merchandise sales

	1979	1980	1981	1982	1983	1984
MCX Service	.73	.70	.68	.59	.71	.72
AAFES	.69	.72	.70	.70	.69	.66
NAVRESSO	1.10	1.01	.91	.96	1.04	.81
Commercial	2.40	2.00	2.30	2.40	2.00	N/A

Marine Corps Exchange Total Sales — 1984

1984 Standing	Exchange		1984 Total Sales
1	Camp Pendleton, CA	(1)	$ 69,678,846
2	Camp Lejeune, NC	(2)	65,165,791
3	El Toro, CA	(3)	44,588,557
4	Quantico, VA	(4)	36,289,296
5	Kaneohe Bay, HI	(6)	34,044,820
6	San Diego, CA	(5)	32,045,742
7	Parris Island, SC	(7)	25,030,551
8	Cherry Point, NC	(9)	22,141,541
9	Twentynine Palms, CA	(8)	21,126,941
10	Iwakuni, JA	(10)	16,234,971
11	Henderson Hall, VA	(11)	11,785,814
12	Yuma, AZ	(12)	8,456,705
13	Camp Elmore, VA	(13)	5,344,054
14	Guantanamo Bay, Cuba	(14)	5,094,190
15	Albany, GA	(15)	4,416,846
16	Panama, CZ	(16)	3,937,459
17	Barstow, CA	(17)	2,626,307
	TOTAL		$408,008,431

( ) = 1983 standing

that one out of every five women shoppers told us that they would not shop at a particular store if it didn't carry a particular brand."

Additionally, 56 percent of career women believe private label goods are equal in quality to most other national brands. "In the career women's market, half of all apparel sales are now being done at off-price outlets," said Lagnado.

AMC's research shows that 47 percent of off-price shoppers say they shop these outlets for convenience, which Lagnado defines as, "anything that leads to a hassle-free transaction." Twenty-eight percent say they shop these stores for fashion, 16 percent for merchandise quality, and 9 percent based on price alone.

"It's a total misconception that shoppers are flocking to these stores for better prices. The price-only shopper is less than one in ten," he said.

Citing areas where off-price outlets are vulnerable, he pointed out that more than 74 percent of off-price shoppers say they are bothered by merchandise gaps in their stores, and more than 50 percent feel that off-pricers carry less up-to-date merchandise than department stores.

Patron Survey: 'Lack of Confidence'

The popularity of off-price stores is only one problem facing Marine Corps exchange managers. Carl Land, assistant head of the Exchange Service Branch, discussed the mixed results of the August 1984 Marine Corps exchange market survey, which received responses from more than 23,000 exchange patrons — out of a possible total of over 71,000 patrons surveyed.

"We were rated good to outstanding in the areas of fast refunds, convenient locations, courteous employees and low prices," said Land. "Also, we found that our exchanges are shopped most often for 23 out of the 26 merchandise categories."

But, he quickly added, "We should not feel too secure. In only three categories are we getting as much as 50 percent of the market share."

These categories were magazines and cards, where Marine exchanges get 59 percent of the market share, cameras and photo equipment, also with 59 percent, and tapes and records, with 54 percent.

Contrary to Lagnado's comments about only 9 percent of shoppers deciding to buy on the basis of price alone, Marine Corps patrons cited price as the primary reason for making a purchase in these three categories. Customers cited selection and convenience as secondary reasons influencing their purchasing decisions.

"In almost all cases, these categories are discounted in Marine Corps outlets from the cover price or suggested retail price," said Land.

Conversely, Marine Corps exchanges are not getting 77 percent of the women's clothing market, 75 percent of women's shoes, 72 percent of children's shoes, 69 percent of household cooking items, 68 percent of men's clothing and 68 percent of auto supplies.

Land said that shoppers are receiving confusing signals from Marine exchanges in these areas. He said, "I belie-e — and a number of customer surveys support this position — that our customers are losing confidence in the exchange system as a place where they can save money. Artificially and outrageously high markups with subsequent markdowns only serve to confuse the shoppers and adds dramatically to the loss of confidence." MM

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Military Market index

Commissaries

		MAY CY'85	MAY CY'84	MAY %CHANGE	YEAR-TO-DATE CY'85	YEAR-TO-DATE CY'84	YEAR-TO-DATE %CHANGE
Air Force	CONUS	$161,858	$158,113	2.37	$757,918	$750,892	0.94
	OVERSEAS	28,432	31,960	−11.04	147,389	148,037	−0.44
	TOTAL	**190,290**	**190,073**	**0.11**	**905,307**	**898,929**	**0.71**
Army	CONUS	112,560	110,670	1.71	530,040	522,900	1.37
	OVERSEAS	32,025	34,230	−6.44	155,190	163,380	−5.01
	TOTAL	**144,585**	**144,900**	**−0.22**	**685,230**	**686,280**	**−0.15**
Navy	CONUS	59,752	57,177	4.50	308,413	294,154	4.85
	OVERSEAS	6,800	6,763	0.55	34,343	34,292	0.15
	TOTAL	**66,552**	**63,940**	**4.09**	**342,756**	**328,446**	**4.36**
Marines	CONUS	14,878	13,962	6.56	70,592	65,003	8.60
	OVERSEAS	295	237	24.47	1,229	989	24.27
	TOTAL	**15,173**	**14,199**	**6.86**	**71,821**	**65,992**	**8.83**
Coast Guard	CONUS	224	239	−6.28	1,293	1,180	9.58
	OVERSEAS	252	261	−3.45	1,434	1,356	5.75
	TOTAL	**476**	**500**	**−4.80**	**2,727**	**2,536**	**7.53**
All Commissaries	CONUS	349,272	340,161	2.68	1,668,256	1,634,129	2.09
	OVERSEAS	67,804	73,451	−7.69	339,585	348,054	−2.43
	TOTAL	**$417,076**	**$413,612**	**0.84**	**$2,007,841**	**$1,982,183**	**1.29**
Grocery Stores	U.S.[1]	**$22.787**	**$21.475**	**6.11**	**$106.148**	**$101.409**	**4.67**

Exchanges

		MAY CY'85	MAY CY'84	MAY %CHANGE	YEAR-TO-DATE CY'85	YEAR-TO-DATE CY'84	YEAR-TO-DATE %CHANGE
AAFES	CONUS	$262,142	$248,114	5.65	$1,134,859	$1,110,766	2.17
	OVERSEAS	162,829	165,141	−1.40	751,221	769,387	−2.36
	TOTAL	**424,971**	**413,255**	**2.84**	**1,886,080**	**1,880,153**	**0.32**
Navy	CONUS[2]	94,676	95,834	−1.21	420,748	417,691	0.73
	OVERSEAS[2]	40,414	37,871	6.71	178,393	174,513	2.22
	TOTAL[2]	**135,090**	**133,705**	**1.04**	**599,141**	**592,204**	**1.17**
Marines	CONUS	31,133	30,069	3.54	138,734	135,155	2.65
	OVERSEAS	5,245	5,029	4.30	23,918	23,531	1.64
	TOTAL	**36,378**	**35,098**	**3.65**	**162,652**	**158,686**	**2.50**
Coast Guard	CONUS[3]	7,176	6,574	9.16	31,964	29,799	7.27
	OVERSEAS[3]	540	824	−34.47	2,509	3,716	−32.48
	TOTAL[3]	**7,716**	**7,398**	**4.30**	**34,473**	**33,515**	**2.86**
Mail Order	CONUS[4]	1,189	1,136	4.67	5,925	6,861	−13.64
	OVERSEAS[4]	3,452	4,355	−20.73	14,840	19,959	−25.65
	TOTAL[4]	**4,641**	**5,491**	**−15.48**	**20,765**	**26,820**	**−22.58**
All Exchanges	CONUS	396,316	381,727	3.82	1,732,230	1,700,272	1.88
	OVERSEAS	212,480	213,220	−0.35	970,881	991,106	−2.04
	TOTAL	**$608,796**	**$594,947**	**2.33**	**$2,703,111**	**$2,691,378**	**0.44**
Department Stores	U.S.[1]	**$11.226**	**$10.700**	**4.92**	**$47.090**	**$44.340**	**6.20**

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

Special pull-out inside: 1986 promotional calendar!

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Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY OCTOBER 1985 $2.00

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5% More - Can AAFES Do It?

This Man Says Yes

(Interview begins on page 58)

PLUS:

AFCOMS Unwraps Its Merchandiser Program

How To Capture the Retiree Market

Health & Beauty Aids — War in the Aisles

Tobacco Sales — Up in Smoke?

Datebook: ALA's Big D Pow Wow

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Military Market survey

The American Logistics Association

'ALA *does* have a lot of clout — *if* it's used.'

By NANCY TUCKER
Editor

WE SEEM TO HAVE hit a nerve.

In mid-August, we asked military brokers for their opinions about the American Logistics Association. We sent an executive at each brokerage firm — usually the president — a 1½ page multiple-choice questionnaire. We didn't expect it, but we received the highest response to this survey of any we have ever conducted.

The Fall 1985 issue of *Interservice* magazine, ALA's official quarterly, lists 63 military brokers who belong to ALA. Forty-two of these responded to our survey, exactly two-thirds of all broker members of the association. An additional 28 non-members also responded, for a total of 70 responses from the U.S. and abroad. A total of 264 questionnaires were mailed.

Comparative tabulations appear on page 86 of this issue. The numbers show several things:

☐ **1.** The majority of people — members and non-members alike — think dues are too expensive.

ALA's deputy executive vice president, Paul Pierpoint, handles the association's membership and says the recent dues increase — the first in four years — averages about 10 percent across the board. "In comparison with other national associations," he says, "our dues are low."

ALA has four classes of membership for brokers: *Class 3-A* is for major brokers, those who do business with both commissaries and exchanges or both a national and an international basis. Currently, it costs $1,100 a year, raised from $995. *Class 3-B* is for brokers who sell only on a regional basis, in Europe only, for instance, or just east of the Mississippi. This type of membership costs $700 a year, up from $650. *Class 3-C* is for brokers who deal only with commissaries or only with exchanges. It currently costs $550, up from $495. *Class 3-D* is for local brokers. It costs $225, up from $200.

A total of 41 respondents say they think ALA membership costs too much; 25 of these identify themselves as current members of the association. As might be expected, people who are current members are less inclined to think that membership is too expensive than non-members. Nevertheless, members who think it's too dear outnumber those who don't by a margin of five to three.

"Too expensive for small business!," says a response typical of non-members. Membership "costs too much for what a small military broker gets back in return," says another. Membership "is more advantageous to the larger companies than for small ones," says a third.

But griping about the cost-benefit ratio comes from members, too. Says one, "I recently asked a board member to explain first, what I received for my membership, and secondly, what the added benefits would be in view of the dues increase this year. As a board member who voted for the increase, he was unable to list any benefits."

A bad opinion of the dues structure leads some people to cheat. During follow-up telephone calls, some people volunteered that they falsify information about their firms in order to get cheaper membership rates. "I kind of cheated a little bit," admits one former member. A current member, who acknowledges lying about his membership class, says that part of the problem is that the "present [dues] scale is ambiguous," and doesn't take true size or company billings into account. "A small company pays the same as a large one," he says.

☐ **2.** There is general agreement that the association does not do a good job representing the interests of small companies. For the companies which are currently members, two out of three which have an opinion on this issue think ALA fails in this regard. For non-members, it's even more unbalanced — 20 vote "no" on this, while none say the association is doing a good job.

Says one, "I don't think the national staff understands small brokers." Adds another, "Small and medium guys are neglected. They're not big advertisers, nor do they do great big dollars for [ALA's] publication."

One solution, small brokers think, would be to have more representation on the association's board of directors. But finances would be a problem for some small firms, thinks one member, so ALA "should pay the expenses of [small] companies to be on the board." Another man thinks a secondary level of membership, perhaps a "subdivision," could be started for small companies.

Member Bill Fisher, from Fidelity Inc., is also concerned about elections. "It's the buddy-buddy system." While he doesn't object to any of the people currently on the board, he is concerned that board elections and appointments could "go back to politics." He believes that more people should be nominated for national offices, and that the current procedure for getting candidates on the ballot — which requires the signatures of 25 voting members — should be loosened.

☐ **3.** Another indication of how brokers feel about representation of small companies is found in answers to questions about whom they think ALA actually represents. While members tend to say ALA equally represents the interests of both exchange and commissary suppliers, non-members feel just as strongly that they don't. And *both* members and non-members overwhelmingly agree that the association gives more attention to commissary suppliers than it does to its exchange supplier members.

A cross-tabulation of member companies by the nature of their business underlines this. Military brokers engaged *only* in exchange trade uniformly feel negatively about such matters as representation of small companies (question 7), whether membership is a worthwhile investment (question 8), and whether ALA is effective on Capitol Hill and with the military (questions 10 and 11). Brokers who deal with commissaries *only* or with exchanges and commissaries *both* tend to think more positively about the association than those who are engaged only in exchange trade.

SURVEY, continued on page 86

market report

Will Planograms Bring Changes?

AAFES H&BA buyers tell MILITARY MARKET that the exchange system has witnessed strong growth in the cosmetics section of the H&BA aisles "in both the high and low ends." This runs counter to the outside retail world, where most analysts agree has seen growth only in the lower end during the last year. While the buyer was at a loss to explain the phenomenon completely, she did suggest that "perhaps this is because we cater to such a wide assortment of consumers — all ages and incomes within the military."

However, some cosmetics marketers confide that AAFES could still be doing a better job of selling cosmetics. "There is still not near enough peg space in the exchanges for makeup, and anyone in the industry will tell you that the *real* growth within this segment is in the pegged merchandise."

Adds another cynically, "I'm convinced that some store managers are only concerned with making their store look good, not necessarily with selling the most merchandise they can. The way you make your store look good is for it to always look like it's in-stock, with no gaping holes on the shelf. If it doesn't sell, it looks good on the shelf."

One military sales manager is anxiously looking forward to the increased use of planograms in both AAFES and Navy exchanges. "When exchange managers are forced to abide by the H&BA planogram, the stock assortment and presentation will more adequately reflect outside market shares.

"Often what I see now is a wide variation in both space and presentation from store to store that I call on regularly. A lot of this is simply a reflection of the individual store manager's tastes, or whoever is running the cosmetics department. That's not good business."

Another military sales representative agrees with this. "I think the exchanges are taking up a lot of unnecessary space in their stores with lines that are not turning enough. I hope planograms will bring some changes, in both NAVRESSO and AAFES."

Consistent with AAFES' Merchandising Division's priority to get new products in the stores prior to the break of major advertising, MILITARY MARKET learned that the leading cosmetics advertisers in 1984 for print, radio and television combined were:

☐	**Cover Girl**	**$46.5 million**
☐	**Maybelline**	**$34.0 million**
☐	**Revlon**	**$23.0 million**
☐	**L'Oreal**	**$17.0 million**
☐	**Max Factor**	**$ 8.0 million**

SOURCE: Leading National Advertisers, Inc., 1985 annual dollar survey

Makeup Close and Personal

With 66 percent of all American women between the ages of 24 and 64 now in the work force, is it really any surprise that cosmetics sales are increasing?

The female family member or servicemember is buying up cosmetics in ever-greater numbers. ConUS sales of cosmetics and fragrances in exchanges topped $77.8 million in 1984, while overseas outlets rang up a healthy $26.1 million.

A recent report by Survey Sampling, Inc., found that 49 percent of all U.S. women say they use mascara seven days a week; 42 percent say they use eye shadow seven days a week. Lipstick topped the list for frequency of use however, with 5[illegible] percent of American women saying they used it seven days a week.

Analysts report that there is hardly a segment within cosmetics that does not enjoy double-digit growth. Facial cosmetics lead the parade, with a 29.2 percent jump over the previous year. Lipstick was up 20.2 percent, and eye makeup was up 28.7 percent, according to Towne-Oller. Nail care and nail polishes were up a whopping 29.8 percent and 58.9 percent, respectively.

"AAFES' sales of contact lens products increased 22 percent last year. . . . Almost half of the Army's soldiers wear eyeglasses; some of these will change to contact lenses in the future."

"We're going to be taking more chances: getting new products at the same time as civilian stores."

One of the most innovative new products on the nail care front was the national rollout of Chesebrough-Pond's Aziza brand nail polish pen, which puts nail polish in a felt-tip pen format. Sales of Aziza have been so strong that some analysts predict the product will garner 8 percent or more of the rapidly growing nail care market by the end of 1985. Other strong performers included Cutex enamel and Maybelline's new long-wearing polish.

Noxell is taking a cue from the toothpaste marketers and bringing its Noxzema skin cream to the market in a pump dispenser. In the $500 million hand-and-body moisturizer category, Chesebrough-Pond's Vaseline Intensive Care remains the leader in dollar sales, with a 19 percent share of the market. Industry sources rank American Brands' Jergens as No. 2, with 11 percent, and Westwood Pharmaceuticals' Keri Lotion third with 8.4 percent.

Rounding out the skin care category, Warner Lambert's Lubriderm grabs 5 percent, and Curel and Beiersdorf's Nivea share the 4.8 percent market share position. S.C. Johnson's Soft Sense, a recent entry, has garnered 4.7 percent.

The $450 million facial segment market has been a no-growth proposition, so far in 1985. Richardson-Vicks' Oil of Olay remains the kingpin, with a commanding 23 percent of the market, but analysts say its sales have slipped, as have those of No. 2 ranked Noxzema, down to 15.6 percent from its high point of 28 percent in 1979.

Revlon is making a run at Oil of Olay with its European Collagen Complex and Ultima II skin care lines. St. Ives is coming in as a heavily promoted brand to grab 5.8 percent of the market, according to Salomon Brothers statistics.

With the coming of autumn and winter, analysts are hopeful that this high demand time will breathe new life into the facial and skin care segments. Several industry analysts tell MILITARY MARKET that marketers can look forward to the upcoming colder weather as a respite from the first half's sluggish sales. MM

Marlboro
Camel
25's

Tobacco: Flat Sales Drag On

Though hardly up in smoke, sales of tobacco appear to be hitting the wall. Marketers respond with generics, discounts, 25-count packs, designer smokes and smokeless tobacco.

By ANNE ROKETENETZ
Associate Editor

DESPITE THE improved economy, the demand for generic and discount brands of cigarettes is far from burnt out.

First developed in the early 1980s to fight inflation, discount brands and generics last year captured 6½ percent of the $19.9 billion cigarette market, John C. Maxwell, author of the *Maxwell Report* and a leading analyst of the tobacco market tells MILITARY MARKET.

Although they are successful, Maxwell thinks generics and discounts will never catch the market share that traditional brands enjoy. If anything, he says, they are probably beginning to reach a growth plateau.

Even with some 225 styles of cigarettes currently on the market, smokers in the coming year can expect more economy brands. They will also see more on-carton cents-off coupons as manufacturers try to curb the generally flat sales that blackened the market in 1984.

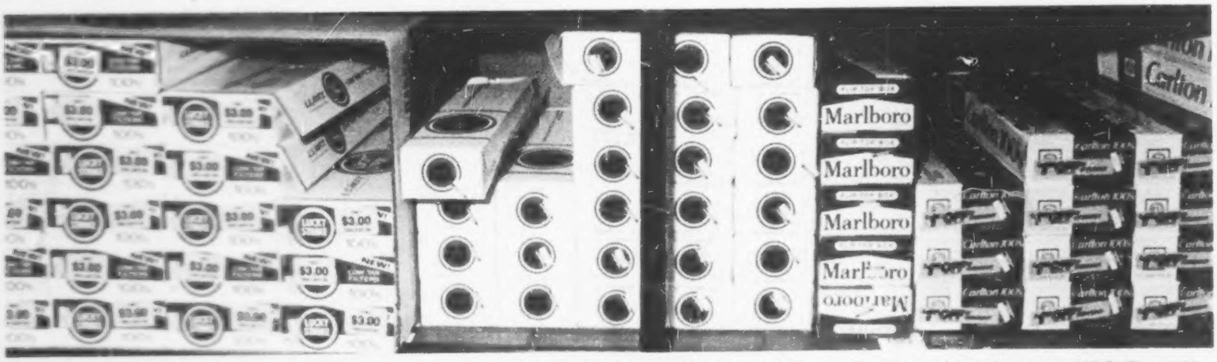
Couponing the Carton

R.J. Reynolds Tobacco, the manufacturer of brands like Camel, Winston and Salem, is currently testing a couponing gun that applies coupons directly onto cigarette cartons. The test is running at commissaries and exchanges in the Washington, D.C. area, says a company marketing manager, not wanting to be identified. The company, which does 60 percent of its military volume in commissaries, has not tested the program at any civilian locations.

"Our people are applying the coupon to the cartons already in the store. The patron then rips it off and redeems it right there." The spokesman adds that RJR's couponing program is designed to help commissaries get more money for store maintenance from the 5-percent surcharge collected from patrons. Unlike a variable price reduction, requiring that stores wait to be reimbursed by the manufacturer for the cents saved, coupons go directly to a clearinghouse, then reimbursed by the manufacturer.

Ligget & Myers is also moving into the carton couponing arena, says Carol Jova, a company spokewoman. "The company feels this is the only way the commissary can make money because of its 5-percent surcharge," Jova notes.

Philip Morris, which manufactures Marlboro, the No. 1 selling brand in the U.S., began testing its own couponing program on October 1. A spokesman says PM is confident its



TWO OF MANY TACTICS: Tobacco companies jockey for a larger market share and more commissary shelf space by offering dollar-off coupons (ABOVE) and 25-cigarette packs (TOP). *(Photos by Kate Patterson)* new coupon gun will improve the way cartons are currently couponed.

"We saw other companies having trouble with this program because often the coupons were hanging over the edge of the carton and covering the shelf facings, preventing product identification." The spokesman described the PM coupon as one that is "not flimsy and unable to be stolen."

More For the Money

In the coming year, smokers will also see more brands offering 25 cigarettes to the pack rather than the traditional 20 count. Several companies, including Brown & Williamson, have picked up on the trend to higher counts and will be heavily promoting these brands soon.

B&W, which does 3½ percent of its total sales in the military, introduced its 25-count Richland brand this past June. The company is touting the product as "The first brand to successfully bridge the gap between consumer value and branded quality." The king-size cigarette is sold for the same price as other 20-count brands. The company is using the slogans "five free" or "50 free," depending on whether a smoker purchases a single pack or a carton, says a B&W spokesman. Richland is available in full flavor, light and full flavor menthol varieties.

A spokesman for Reynolds says that company's Century 25s, competing directly with B&W's Richland, have maintained their popularity. That brand went national late last year.

In February, B&W went national with its introduction of Coins, a new brand distributed exclusively through cigarette machines. The brand, priced to cost less than other brands in the same machine, is available in regular and lights flavors.

Philip Morris, which attributes about 4 percent of its total sales to the military, is set to begin testing its 25-count Players Light brand at military

1984 Cigarette Use by Military Greater than The U.S. Average

Per Capita Usage*		Index
U.S. Total	3,411	—
Military, On-Base		
Domestic	7,995	232
Overseas	9,931	291
Worldwide	8,289	243

*18-years old or older.

Worldwide, On-Base, Military Cigarette Sales
1984 and projected for 1989

Millions of Dollars

Sales	1984	1989*
Club	80	107
Commissary	295	400
Exchange	359	448
Total	734	955

*projected in 1984 dollars.

Per Capita Cigarette Sales: Worldwide Military Versus U.S. Average
1984 to 1970

Year	Total U.S.*	Military On-Base*	Index
1984	3,411	8,284	243
1983	3,494	8,591	246
1982	3,746	8,872	237
1981	3,840	8,698	226
1980	3,880	8,603	222
1979	3,900	8,598	220
1978	3,970	9,091	229
1977	4,064	8,924	220
1976	4,092	9,140	223
1975	4,123	9,036	219
1974	4,141	8,612	219
1973	4,148	8,529	208
1972	4,043	8,529	211
1971	4,037	8,485	210
1970	3,985	8,331	209

*cigarettes per capita — adults 18-years old or older

Per Capita Domestic Cigarette Sales
1964 to 1973 On-Base

Year	Per Capita Sales
1984	7,915
1983	8,200
1982	8,455
1981	8,296
1980	8,120
1979	8,117
1978	8,313
1977	8,200
1976	8,498
1975	8,451
1974	8,402
1973	8,153

*18-years old or older.

Per Capita Worldwide Cigarette Sales,
1984 to 1973 On-Base

Year	Per Capita Sales*
1984	8,289
1983	8,591
1982	8,872
1981	8.698
1980	8,603
1979	8,598
1978	9,091
1977	8,924
1976	9,140
1975	9,036
1974	9,061
1973	8,612

*18-years old or older.

> "Generics and discounts will never catch the market share that traditional brands enjoy. If anything, they are beginning to reach a growth plateau."

installations in the Denver area. The company plans to price the brand at approximately $1.50 less per carton than traditional brands, but not as low as generics or discounts, a spokesman notes.

PM is confident Players Light will do well in the test market, even though, the spokesman says, "There has not been a successful brand of a 25-count cigarette in the last year but Marlboro 25's." The 25-count version of the No. 1 brand, he adds, is in the top 30 list of best selling cigarettes overall, while the light version ranks in the top 40.

The Lower Priced Butt

L&M has a 12.2-percent share of military cigarette sales, but only 8 percent in the civilian trade. The company ranks sixth among U.S. cigarette manufacturers, but is third in military sales because of its strength in generics. Spokeswoman Carol Jova estimates that about 8 percent of the company's total sales are generated through the military.

But 1984 did not deliver all good news for L&M, which first entered the generic market in 1980. L&M's lead in the generic segment sagged last year. To curb the loss, the company is planning to spend an estimated $600,000 this year on an advertising campaign based on the brand's "Gold Q Quality Seal."

The promotion offers smokers discounts of up to 10 percent on vacation packages of their choice, just for clipping the gold seal from the top of the pack.

In another move, L&M went national last January with a new discount brand called Stride. Stride is available in 85mm and 100mm varieties in full flavor, and in menthol in 100mms. Spokeswoman Jova describes the brand as a mid-priced cigarette selling for about a dollar less a carton than other major brands. "Stride is aimed at those that like the comfort of a brand name but are satisfied with savings," she says.

Despite an increase in cigarette consumption by the military in 1984, growth in the cigarette market has been slight for the past several years, an RJR spokesman tells MILITARY MARKET. But he adds, worldwide sales in the military in 1984 did hit $1 billion.

He adds that RJR strongly believes that, even with a rising economy, generic brand loyalty still remains intact. Doral, the company's discount brand that sells for about 20¢ less per pack than traditional brands, he points out, has been able to capture and maintain a 5-percent share in the military.

"Data shows that Doral, since its introduction during the second quarter of 1984, has pushed RJR's share of the military market to 30 percent, passing PM's 21.8-percent hold," he claims.

A sales manager at PM says that emphasis on lower priced or generic brands is not as strong at that company as with others. "Generic and lower priced brands have provided growth to manufacturers' carton sales," he says, "but these companies are not really making money from them."

Instead of sacrificing money and quality to give growth to its carton sales, explains the Philip Morris spokesman, the company is leaning more towards coupons and VPRs to lower the prices of its products.

Upscales on the Rise

Regardless of the market shares that generics, discounts brands and 25-count packs are snatching, cigarette manfacturers maintain there still remains a traditional brand smoker who puts a priority on quality. As a result, major manufacturers have avoided downscaling their upscale brands and are continuing to introduce new brands and revisions of the traditionals.

Thus, RJR plans to begin test marketing its Ritz premium brand in St. Louis and the southern half of Illinois. A spokesman for the company states that RJR has revamped the brand's carton design using a more "sophisticated" pattern developed by clothes and cosmetic designer Yves Saint Laurent.

Ritz, already available in Atlanta and Washington state, will be priced comparably with other major brands

1776: Military Exclusive Dignifies Generic Market

In a flurry of free packs, dollars off coupons and rebates, military smokers at 14 ConUS installations were introduced last February to low-priced 1776, the first brand-name cigarette designed exclusively for sale in the military market.

The brand, priced $1.50 per carton less than other traditional brands, sells in about 70 percent of the commissaries in ConUS. A company spokesman says it's doing very well.

"We are very pleased by the military's receptiveness," Roy Jorstad, vice president of marketing for Park Avenue Tobacco Co., recently told MILITARY MARKET.

Although Jorstad noted that it was still too early to gauge 1776's precise share of market, he said the company is confident it will capture one half of one percent of the military cigarette business by the end of its first year.

Mike Grasso, product manager at Dunham & Smith, the brand's military broker, described 1776 as comparable to R.J. Reynolds' Doral brand in terms of price and quality. He said Park Avenue's motive behind the exclusive military brand was part of an effort to provide the cost-conscious military smoker who does not want a generic with a low-priced brand name.

"Imagine going to a party and trying to talk to someone, and you pull out your generic pack of cigarettes. You won't look so hot," said Grasso, adding that with 1776 the name provides some dignity.

Park Avenue's Jorstad said the possibilities are good that the company will extend the 1776 line in the near future to include regular and menthol varieties in the 100mm size. The brand is currently available only in king size.

Jorstad also said 1776 could be moved into the civilian market, too. "The brand has been very receptive to the military smoker and we feel it would be advantageous to market it off-base as well, since they don't always shop on-base."

Refusing to elaborate, Jorstad said the possibility exists for the introduction of another brand exclusively to the military. But first, he cautioned, the company is going to focus on getting the brand onto exchange shelves, which has not yet happened, as well as overseas.

"Our strategy for overseas is to first get the brand into all Stateside commissaries and exchanges. We feel it would be advantageous to get the product established with the patron over here first. So we are moving very slow." — A.R.

1984 Cigarette Sales on Military Bases By Resale System and By Area

Area	Overseas	Domestic	Worldwide
Clubs	$ 26,364,000	$ 53,825,000	$ 80,189,000
Commissaries	$ 45,600,000	$249,700,000	$295,300,000
Exchanges	$ 68,172,000	$290,628,000	$358,800,000
Total	$140,136,000	$584,153,000	$734,289,000

Worldwide Cigarette Sales In Military Commissaries, Exchanges and Clubs

1984 to 1973 (in billions of cigarettes)

Year	Clubs	Commissaries	Exchanges	Total
1984	3.2	16.2	15.8	35.2
1983	3.3	15.4	17.4	36.1
1982	3.3	16.0	18.0	37.3
1981	3.0	15.2	17.6	35.8
1980	2.9	13.9	17.5	34.3
1979	2.9	13.7	17.4	34.0
1978	2.8	14.6	18.7	36.1
1977	2.6	14.0	18.1	34.7
1976	2.5	14.5	18.5	35.5
1975	2.4	14.8	18.8	36.1
1974	2.4	14.1	19.7	36.2
1973	2.2	13.5	19.9	35.6

Worldwide Cigarette Sales Growth In Military Commissaries, Exchanges and Clubs

1984 to 1973 (in millions of dollars)

Year	Clubs	Commissaries	Exchanges	Total
1984	80.2	295.3	358.8	734.3
1983	81.1	274.5	369.9	725.5
1982	74.2	269.5	364.8	708.5
1981	69.1	251.0	347.8	668.0
1980	63.8	223.3	332.4	619.5
1979	58.6	207.2	308.2	574.0
1978	55.9	190.3	314.3	560.5
1977	52.1	171.4	294.6	518.1
1976	49.5	168.0	281.6	499.1
1975	48.8	167.0	273.6	489.4
1974	46.0	150.0	251.0	447.0
1973	43.0	139.7	249.0	431.7

> "We are still a society of the young and beautiful, and cigars are not a traditional part of this lifestyle."

in the new markets. The brand is also available in Memphis and Oklahoma City, but there it is priced approximately 15 percent higher than most major brands in these areas.

Meanwhile, PM has started test marketing Rio, a new menthol premium packaged in a Marlboro red color. The company is aware that various studies conducted on the new product concluded that consumers have grown tired of the green color traditionally used to package menthol cigarettes. Hamish Maxwell, the company's chairman, was recently quoted in the *Wall Street Journal* as saying, "We know red is the best color for just about everything."

To maintain its footing in the low tar segment of the market, the company has also started test marketing Concord, a cigarette with an adjustable filter that controls the strength of the flavor. Concord is available in regular and menthol flavors. The filter delivers from five to 15 milligrams of tar.

Other developments in the low tar segment include American Tobacco's national rollout of Carlton Menthol Box 100s, which expanded the Carlton line to 16 styles. The company is promoting the new addition — with only 1mg of tar — as the lowest tar menthol on the market.

Cigars: Baby Boomer Delight?

Cigarettes account for about 98 percent of the total tobacco category, but industry insiders say there has been some change in the often unnoticed cigar market.

Norman Sharp, president of the Cigar Association of America, tells MILITARY MARKET that, despite the fact that cigar smokers (estimated to be nearly a third of all adult male Americans) purchased 3.5 billion cigars last year, the $700 million market has been declining for the last 14 years.

But, he says, the downward trend

appears to be "bottoming out," and profits rose about 5 percent. Unit sales in 1984 declined only about 1.3 percent — the smallest loss in the last decade.

Between 1984 and 1983, cigar sales dropped 61 percent. Although they probably will never recapture the lost growth, some people in the tobacco industry say cigars are making a definite comeback.

CAA president Sharp is optimistic and predicts that as more baby boomers reach their 30s and 40s, a prime age for cigar smoking, lifestyles will change, making the market grow. But for now, he says, "We are still a society of the young and beautiful, and cigars are not a traditional part of this lifestyle."

To capitalize on the anticipated change, major cigar manufacturers will begin using the slogan "Relax, have a cigar."

Alternative Tobacco

According to public health figures, some 22 million Americans use smokeless tobacco. And though the smokeless chews and snuffs make up a very small proportion of the tobacco market as a whole, it's a segment that is showing growth, say manufacturers. The growth could be as much as a 20-percent annual gain in poundage, notes one manufacturer.

Such potential notwithstanding, Reynolds Tobacco announced September 9 that it is getting out of the smokeless tobacco business. The company's sales of smokeless tobaccos make up less than 1 percent of its total sales, prompting it to conclude that this small share does not justify continued involvement in that market.

As the strong anti-smoking movement gains momentum, manufacturers like U.S. Tobacco, which dominates the $466 million market with its Skoal and Copenhagen brands, have started pushing their products in the direction of converting the white collar cigarette and cigar smoker.

3rd Largest Sales Category In Worldwide Military Market — 1984

Rank	Product	$ millions
1	Meat	1,204
2	Civilian Clothing	1,133
3	**Cigarettes**	734
4	Consumer Electronics	650
5	Cosmetics, Drugs and Toiletries	534
6	Household Supplies	501

For U.S. Tobacco, the push began more than a year ago, when the company started featuring white collar professionals in its advertisements for Skoal Bandits. Bandits are smokeless tobaccos packaged in teabag-like pouches. They prevent loose tobacco from floating around in the mouth.

Adding another twist to the smokeless alternative, Better Life, Inc., a Florida company, recently started producing herbal tobaccoless snuff.

(Chewing tobacco, which is placed in the side of the mouth, is usually loose leaf tobacco, while snuff is used in the front of the mouth and is actually a granulated form of tobacco.)

Better Life's president, Philip J. Bidwell, tells MILITARY MARKET that the company introduced its new Smokey Mountain Chew this past spring in Florida. The herbal snuff, he says, is made of 17 culinary herbs and spices, each listed on the FDA's safe list. The most prominent ingredient is red clover.

Herbal snuff is designed for use like regular tobacco snuff, Bidwell says, and even comes in a similar package. "It has all the characteristics of regular snuff except the tobacco content. It packs the same way in your mouth as regular snuff. It creates saliva so you can you can spit if you want, just like regular tobacco." He adds that "we don't encourage it [spitting] because the snuff is a healthy product."

Recent studies have shown that chewing tobacco can present health hazards and have concluded that smokeless tobacco users face a higher risk of developing oral and throat cancer or cancer of the gums and cheek than do non-users. Other dangers include tooth decay, increased blood pressure and heart disease.

As a result of these and other findings, consumer safety groups like the Health Research Group have begun pressuring the Federal Communications Commission to require warning labels similar to those on cigarettes. Already, six states — Illinois, Utah, Delaware, Oregon, Massachusetts and New York — have warning label bills pending.

Bidwell points out that, to date, consumer response to the herbal product has been very good. "People are looking at it as an alternative," he says, as a result of the recent studies and other research depicting the dangers of tobacco snuff.

He says the company has plans to begin test marketing in Texas sometime in November. In addition, the company is also working on a wintergreen flavored herbal snuff.

Bidwell stresses that even though the herbal snuff is currently not available in the military, the company is very much interested in that market. MM

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Military Marketers Find Lots

Forget yuppies. The ever-growing retiree market has the disposable income and the time to spend it. And with second careers, military retirees are a gold mine to marketers.

YOU MIGHT NOT EXPECT children's items to sell well at exchanges with a lot of retired customers. AAFES finds the opposite is true. *LEFT: Grandfather buys fishing gear for grandson.*

By JAY BLUCHER
Associate Editor

YOU KNOW THERE'S something to it when Madison Avenue chucks its traditional advertising pitches and targets the older consumer in ads.

Soft drink commercials now include older faces in the familiar montage of runners, beach bunnies and picnickers. Affinity shampoo, according to its company, was developed "specifically for hair over 40." In a recent cereal commercial (old people are among the biggest consumers of dry cereals), a dapper older gent walks off the tennis courts and pours himself a bowl of corn flakes, as his gray-haired companion says, "Your serve doesn't have the same zing it once did."

"Up until a few years ago, advertisers felt that the over-49-years-of-age crowd wasn't even worth marketing to," comments Rena Bartos, an expert on older consumers at the J. Walter Thompson advertising agency in New York. "Now, that mistaken perception has changed 180 degrees."

Advertising people are taking a closer look at the tantalizing demographics and rising disposable incomes of America's older generation — and that includes retired military personnel.

A Market Worth the Effort

Despite criticism of the military retirement system, there is little quarreling among marketers that reaching the military retiree market is worth the effort. Targeting it requires careful attention to the special needs and motivations of the retired military patron.

"It's just a good idea to keep this market in mind whenever market strategies are being formulated," is the way one savvy military sales manager explains it. "Just as the civilian population is not one huge, homogeneous mixture, neither is the military. Too often the older shopper gets totally overlooked, [but] at some bases they represent 60 or 70 percent of all shoppers."

An Air Force commissary manager in southern Florida tells MILITARY MARKET that, "Probably 65 percent of my store's shoppers are retired all year 'round, [but] there's also quite a seasonal variation from the end of September until Easter. These are the so-called 'snow-birds,' who come south to escape the cold weather."

Over 132,000 of the 1.5 million retired military live in Florida, ranking it third among the states for choice military retirement spots. California tops the list with 210,800 people, while Texas is second with more than 136,500 military retirees.

"Knowing where they're at and reaching them in an effective way are two different things," explains one military sales manager. "It's difficult to generalize about them as a group or category of shoppers."

J. Walter Thompson's retiree expert, Rena Bartos, agrees. "All people over 49 are no more alike than all people under 49." She adds that

SPECIAL REPORT

Retirees

Of Gold in the Gray

"65 PERCENT of my shoppers are retired," says a commissary manager in southern Florida. *RIGHT: Retirees wait to check out. Many retirees travel 10 miles or more to shop commissary.*

"that doesn't mean you can't make a few generalized observations about their shopping behavior."

Spending Their Money Differently

For instance, retired commissary and exchange shoppers spend their money differently than the average patron. "I would say that most of them have been homeowners for some time, so they tend to spend above the average on home furnishings," says one AAFES exchange manager in southern Florida.

They also have guests at dinner more frequently — research shows they are 60 percent more likely to have purchased fine china in the past year. They have the highest propensity of any age group to purchase fertilizer and seeds. "But they also prefer gardening by hand," stresses an AAFES lawn and garden shop manager. "They are not big buyers of gasoline-powered lawn and garden equipment."

Although men in general are spending a lot more time in the supermarket than they used to, men 55 years of age or older are among the most frequent male shoppers. Nearly 60 percent of them are primary shoppers or accompany the primary shopper, according to a recent survey by *Progressive Grocer* magazine.

While over half of all grocery store shoppers say they consider it important to check nutritional information on labels, consumers 55 years of age and older consistently say this is particularly important to them. These shoppers are also showing a greater interest in chicken, fish, low-calorie foods and produce; their interest in red meat is dropping.

Retiree commissary patrons often have special concerns. "It's always dangerous to generalize about a group of people," explains one AFCOMS commissary officer, "but I'd definitely say that retired commissary patrons are among the most demanding of our customers. That's OK, though — we appreciate knowing when we're not doing something right. Moreso than younger shoppers, they like their food store to be especially clean. They like helpful and courteous personnel (from the checkers to the managers), special services like coupon boxes, convenient parking, helpful commissary baggers to carry their bags to the car, and a pleasant store atmosphere."

The AFCOMS' "Healthy Heart" program, stressing wholesome and nutritious foods, is often cited by commissary managers as especially popular with older shoppers. "I wouldn't say that our store selection is all that much different, but the quantities sold in certain areas is certainly greater," notes an Air Force commissary manager in Florida. "I have to order far greater quantities of adult cereals, dried fruits, low-sodium products, dietetic products and juices."

Health and fitness concerns are especially strong in this market segment. "It's not that the retired person is more concerned with fitness," says JWT's Bartos. "It's just expressed differently among retired people. They are subject to the same trends as the rest of the population. Unlike younger people, they are not working out for reasons of vanity, but because it makes them feel good when they exercise. It's more a health maintenance thing with them."

Bartos points out that this age group is extremely conscious of what is bad for their health. They think more about what they eat and drink and how they exercise. "They spend more on the so-called health foods as well," she adds.

This poses a dilemma. A recent survey by the Agriculture Department found that foods labeled as "natural" often cost twice as much as conventional foods. This is a special concern among persons with limited incomes who purchase these expensive foods thinking they are healthier.

It is dangerous to stereotype the retiree market. Although you might not expect children's clothing to sell well at exchanges that serve a predominantly retired customer base, AAFES finds the opposite is true. At its Fort Sam Houston, Texas, exchange, for example, children's clothing enjoys strong sales, despite the exchange system's misgivings about the appropriateness of stocking this item there.

"You can't always blindly assume certain things about a given market," says Army Col. William Miner, head of the market research division at AAFES headquarters. "The upscale children's clothing that we put in at Fort Sam did very well, largely because retirees were buying this clothing as presents for their grandchildren. We didn't expect that, but research showed there was consumer demand for this merchandise."

A Fiercely Loyal Bunch

"Military retirees are more willing to drive that extra mile to the commissary than your typical shopper. They're a fiercely loyal bunch," says Henrietta Lichtenbaum, marketing research specialist at NAVRESSO headquarters.

Fifty-six percent of all retired Navy commissary patrons live further than 10 miles from the nearest commissary, according to a 1983 customer survey of 38 Navy commissaries in ConUS and Hawaii. They probably pass two or three civilian supermarkets to shop at the commissary, says Lichtenbaum. "The distance retirees are willing to travel to shop on base separates them from the normal exchange or commissary shopper," she explains.

"Some of our retired patrons come from as far away as 100 miles," says Manuel Cowin, assistant commissary manager at MacDill AFB, Fla., one of the busiest commissaries for retirees. He estimates that 3,300 people a day go through his store.

"It has more of a social function for them. It becomes a mutually shared experience to come and talk with their old friends or people they used to know on the base — almost like an extended family," comments Lichtenbaum. While they also come for the health and recreational facilities, "the commissary and exchange are also a big factor for them."

NAVRESSO's research says that retirees tend to cluster around a facility where they once served, and with the branch of service to which they belonged. "Around a Navy base, more Navy people tend to retire and make their home there than Army people, and vice versa."

AAFES market research shows that its typical military retiree shopper: travels between six to ten miles to visit the exchange; perceives spending $112.85 per month at the exchange; perceives savings of 10% or more; is married and has no children still residing at home.

The Story Told by Numbers

The stereotypical image of the poor, penny-pinching, fixed-income retiree is often false. For instance, the most recent U.S. census reveals that households headed by Americans 55 or older account for more than a quarter of all consumer purchases in the United States.

The American Association of Retired Persons found that households headed by persons 55 or older have discretionary income nearly double that of households headed by persons 34 and under. In addition, total personal income of people 55 and over was more than $750 *billion* in 1983 — more than a quarter of the national total.

As the 20th century began, one of every 10 Americans was 55 or older. Today, the number is one in five. By the year 2010, it will be one in four. Current figures on the over-55 group translate to 48 million people — the same as the enrollment of the nation's elementary and high schools.

At the end of the 20th century, there will be 96 people aged 80 and older for every 100 people aged 60 to 64, up from 55 in 1984, according to *Current Population Reports, 1984*.

Couples with no children currently make up the largest plurality of American households — 30 percent. They have increased by 6.5 million since 1970 and are mostly older people. Two-thirds of all households without children include one person older than 50.

People in the 55-to-64 category are often referred to as "empty nesters," because most of them have had children who have left home. These older Americans have more leisure time than people 10 years younger. They travel more than the average and are about 50 percent more likely to own a second home.

Media attention given to baby boomers and senior citizens often ignores the fact that there are a lot of consumers older than 45 but younger than 65 — and many of them are military retirees.

The median income in 1983 of the 10.5 million families aged 45 to 54 years old was $32,600 — highest of any age group, and a full $8,000 more than the median of all families. In the aggregate, these families had $22 billion more income than the much-ballyhooed 25-to-34 year old baby boom families, and they represent close to a third of all affluent families with incomes of more than $50,000 a year.

For the military, the numbers are enticing. There were more than 1.5 million retirees in 1984. While demographics do not tell the whole story, there is no denying that retirees shopping in commissaries and exchanges represent a sizable and lucrative market.

The Defense Department says that the average retirement age is 43 for officers and 40 for enlisted personnel. This means that most military retirees are not just younger than their civilian counterparts, but they also have at least 20 working years left — time to retire from a second job and receive a second pension.

The typical officer's pension after 20 years of service is $23,664 a year. Their enlisted counterpart receives an average of $10,332 after the same time in service.

Not Without Critics

Although military retirement is a complex subject, in a nutshell, here is what it covers: Members of the military can retire after 20 years of service with 50 percent of their base pay. They can retire after 30 years with 75 percent of their pay. They get cost-of-living increases that insulate their pensions from the ravages of inflation.

Of the servicemembers who retired in 1983, about three-quarters were 50 or younger. They can take a civilian job and later obtain Social Security retirement benefits.

The retirement system is not without its critics. Some believe the military's pension system overgenerous, while others think it not generous enough. The Grace Commission says the military's retirement system is six times more generous than private sector pensions.

Needless to add, Congress is considering ways to revise the system. Since 1969, no fewer than nine major studies have recommended changes in the retirement system: five were done by the Pentagon itself. Suggested reforms have included cutting benefits, delaying payment of full pensions until retirees reach 62 or 65, and vesting benefits before 20 years. One proposal would encourage servicemembers to serve longer by reducing benefits for those retiring at the 20-year mark.

> "Media attention given to baby boomers and senior citizens often ignores the fact that there are a lot of consumers older than 45, but younger than 65."

No less a critic than David Stockman, the former director of the Office of Management and Budget, decried military retirement as "a scandal" and "an outrage" during a Capitol Hill appearance in February. "Institutional forces in the military," testified Stockman, "are more concerned about protecting their retirement benefits than they are about protecting the security of the American people."

The most controversial feature of the current military retirement system encourages servicemembers to retire on half pay after 20 years, a time when they are still young enough to begin a second career. On the other hand, servicemembers who return to civilian life *before* 20 years of service receive no retirement pay at all. Critics say this is unfair and also makes it difficult for the services to get rid of deadwood.

DoD's costs for running this system have tripled since 1975. In fiscal year 1986, DoD's bill will total more than $17.8 billion. It is expected to approach $20 billion by 1988. **MM**

Average Annual Retired Pay

	Officers		Enlisted		Total	
Age	Strength	Retired Pay	Strength	Retired Pay	Strength	Retired Pay
45	5,217	16,902	25,671	9,227	30,888	10,523
46	5,896	17,326	29,435	9,473	35,331	10,783
47	6,134	18,151	33,942	9,752	40,075	11,038
48	6,754	18,799	36,011	9,986	42,756	11,378
49	7,429	19,693	37,481	10,123	44,910	11,706
50	8,423	20,629	37,472	10,201	45,895	12,115
51	8,900	21,250	36,430	10,357	45,330	12,495
52	9,833	22,193	37,763	10,435	47,506	12,869
53	10,027	22,751	38,579	10,406	48,606	12,953
54	10,643	23,156	42,879	10,281	53,522	12,841
55	10,425	23,460	41,947	10,149	52,372	12,799
56	9,066	24,065	35,864	10,081	44,930	12,903
57	6,806	24,532	30,645	9,886	37,451	12,456
58	6,068	25,025	24,982	9,647	31,050	12,652
59	6,858	25,749	23,418	9,480	30,276	13,165
60	8,430	25,296	23,276	9,440	31,706	13,656
61	9,382	24,924	21,648	9,337	31,030	14,050
62	10,272	24,209	20,140	9,277	30,412	14,321
63	12,686	23,535	20,230	9,159	32,916	14,700
64	13,150	22,923	17,790	9,207	30,940	15,036
65	12,513	22,358	16,428	9,177	28,941	14,876
66	11,816	21,865	13,816	9,019	25,632	14,941
67	10,367	21,339	11,171	8,950	21,538	14,913
68	8,789	21,067	8,839	8,843	17,628	14,938
69	7,345	20,859	7,341	8,711	14,685	14,787
70	5,768	20,684	5,894	8,615	11,662	14,584
Total	272,211	$21,775	794,816	$9,645	1,067,027	$12,739
60 +	142,248	$22,217	192,336	$9,021	334,584	$14,631
62 +	124,436	$21,804	147,412	$8,908	271,848	$14,811
65 +	88,328	$21,109	89,252	$8,709	177,580	$14,877

Source: Department of Defense. Age is retiree's current age to nearest birthday at end of fiscal year. Retired pay is average annual net retired pay for non-disabled, non-reserve only. Chart covers only retirees receiving payment from DoD as of end of FY 1984.

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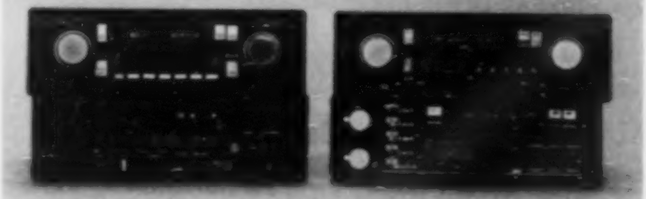

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SPECIAL REPORT

Where Retirees Shop For What

	AAFES	Sears/ Penneys/ Wards	Comstore Comstore	Dept Store	Discount	Don't Buy
Toiletries/H&BA	53.7%	.4%	31.8%	4.8%	6.8%	2.8%
Beverages/Candy	11.7%	.3%	75.2%	2.2	N/A	N/A
Tobacco	10.4%	.3%	42.6%	.9%	1.3%	44.6%
Men's clothing	38.7%	18.9%	N/A	25.9%	9.5%	N/A
Women's Clothing	29.2%	15.9%	N/A	36.9%	9.8%	8.4%
Teen Clothing	12.1%	7.8%	N/A	10.9%	5.4%	63.8%
Children's clothing	22.6%	6.8%	N/A	6.2%	6.2%	58.4%
Athletic Shoes	37.4%	7.1%	N/A	17.2%	9.0%	29.3%
Men's shoes	38.9%	10.2%	N/A	33.7%	7%	10.1%
Women's shoes	27.3%	9.0%	N/A	45.6%	7.7%	10.4%
Children's shoes	13.9%	4.0%	N/A	8.2%	5.4%	68.5%
Sporting goods	41.1%	3.7%	N/A	11.7%	14%	29.5%
Housewares	66.2%	5%	N/A	9.2%	14.9%	4.7%
Hardware	45.3%	7%	N/A	20.7%	19.2%	7.8%
Stationery/BTS supplies	72.1%	.5%	N/A	4.9%	13.7%	8.7%
Toys	34.9%	1.9%	N/A	5.3%	14.7%	43.3%
Film	77%	.5%	N/A	4.2%	11.0%	7.4%
Jewelry/Watches	68.1%	2.2%	N/A	13%	7.2%	9.0%
Auto access/oil/ tires/batteries	31.9%	17.1%	N/A	22.4%	20.9%	7.6%
Outdoor living/ gardenware	61.1%	3.1%	N/A	8.5%	16.5%	10.9%
Stereo/ consumer electronics	43%	5.8%	N/A	14.1%	10.5%	26.5%
Pre-recorded music/ video	34.8%	1.7%	N/A	12.8%	12.4%	38.2%

SOURCE: AAFES Market Research Division. 1984 customer survey of 14 ConUS exchanges; 1888 total responses. Compiled by Rosemary Titus, statistical assistant.

How Much Do Retirees Make?

	Number	Average Net	Monthly Average Gross
O-10	125	4,741	5,305
O-9	456	4,334	4,880
O-8	1,616	3,872	4,319
O-7	1,251	3,251	3,625
O-6	48,857	2,720	2,985
O-5	91,542	1,923	2,091
O-4	65,653	1,491	1,599
O-3	19,122	1,283	1,371
O-2	4,491	971	1,054
O-1	659	782	849
Commissioned	$233,774	$1,921	$2,090
W-4	11,318	1,578	1,737
W-3	12,756	1,101	1,192
W-2	12,200	934	1,001
W-1	2,408	745	796
Warrant	$38,682	$1,166	$1,267
Officers	$272,456	$1,814	$1,973
E-9	53,862	1,327	1,440
E-8	114,467	1,004	1,081
E-7	323,523	805	864
E-6	231,529	664	713
E-5	65,203	547	587
E-4	5,198	415	430
E-3	689	312	332
E-2	82	265	283
E-1	67	466	489
Enlisted	$794,620	$804	$864
All Retirees	$1,067,076	$1,062	$1,147

Source: Department of Defense statistics as of Sept. 30, 1984. Chart covers only non-disabled, non-reserve retirees.

Who Receives Retired Pay and How Long They Served to Get it

Officers average 24.38 years. Enlisted average 21.88 years.

years of service	total	O-10	O-9	O-8	O-7	O-6	O-5	O-4	O-3	O-2	O-1	W-4	W-3	W-2	W-1	E-9	E-8	E-7	E-6	E-5	E-4	E-3	E-2	E-1
18	62	0	0	0	0	1	0	13	1	2	0	0	0	2	1	0	0	14	14	3	2	0	1	0
19	8,624	0	0	0	0	6	27	43	379	102	6	6	2	46	23	117	1,874	4,557	2,120	310	23	5	2	0
20	511,467	0	0	2	1	1,369	21,580	28,573	[illegible]	[illegible]	313	[illegible]	4,095	5,538	1,076	8,810	40,881	170,718	167,782	30,111	3,787	109	57	38
21	120,579	0	0	2	4	[illegible]	[illegible]	[illegible]	2,340	572	71	[illegible]	1,611	[illegible]	[illegible]	4,370	16,530	43,082	23,883	15,026	910	82	10	3
22	90,382	0	0	1	3	1,513	10,887	6,171	1,809	410	51	722	1,651	1,477	289	3,110	14,195	22,139	12,534	1,970	285	28	3	0
23	58,343	0	0	2	6	2,118	7,385	3,866	1,300	240	28	[illegible]	1,097	[illegible]	152	4,280	8,860	[illegible]	6,367	807	76	17	2	2
24	38,897	0	1	2	11	2,014	6,842	3,081	1,118	165	22	[illegible]	785	[illegible]	88	3,487	6,579	10,744	2,884	560	58	0	0	0
25	26,730	0	0	8	26	2,545	5,887	2,707	847	142	9	471	555	412	57	[illegible]	3,305	5,698	1,263	380	41	5	1	0
26	40,897	0	0	10	47	5,045	4,842	1,781	780	138	5	1,226	404	280	41	3,574	7,217	12,880	876	105	24	4	2	0
27	2,476	0	2	22	63	4,418	4,240	1,511	545	64	7	[illegible]	285	173	33	2,790	4,464	3,578	652	103	7	6	1	0
28	20,107	1	3	46	110	4,445	4,198	1,211	348	58	1	785	185	113	12	3,043	3,348	1,667	387	77	9	2	1	0
29	16,395	0	13	70	147	4,365	2,970	711	232	50	2	735	165	41	3	3,565	1,869	1,337	346	30	6	2	0	0
30	36,180	20	137	677	245	8,845	3,011	2,327	657	166	10	2,857	301	195	10	7,860	2,997	3,347	465	46	10	3	0	0
31	5,242	0	10	105	146	2,075	869	80	35	21	1	251	22	17	1	[illegible]	265	266	51	5	7	1	0	0
32	3,057	5	35	134	98	1,865	414	58	27	10	1	137	10	7	0	[illegible]	98	98	13	4	3	2	0	0
33	1,861	0	35	115	57	1,885	240	28	12	3	0	66	4	4	1	110	12	39	11	5	1	0	0	0
34	1114	10	40	92	51	693	136	23	5	1	0	46	4	4	0	37	11	28	4	1	1	0	0	0
35	844	18	57	75	38	[illegible]	90	10	2	0	0	26	1	0	0	10	3	3	2	0	1	0	0	0
36	536	12	40	69	21	279	67	7	0	0	0	15	5	1	1	0	3	3	3	0	0	0	0	0
37	394	10	28	42	13	132	35	1	3	0	0	0	1	0	0	1	0	4	0	0	0	0	0	0
38	211	20	13	35	11	109	10	1	0	0	0	1	1	0	0	1	2	1	0	0	0	0	0	0
39	104	3	0	15	5	65	3	2	0	0	0	2	0	1	0	0	0	1	0	0	0	0	0	0
40	65	3	3	7	3	32	4	4	1	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0
41	25	2	3	0	3	0	2	1	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0
42	10	0	1	4	2	0	1	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
43+	12	0	0	6	0	5	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0	0	0	0
Unknown	38,427	3	0	71	55	2,306	8,817	7,200	1,272	384	135	385	659	480	289	1,773	3,010	15,880	8,071	3,564	340	15	1	22
Total	1,067,075	125	456	1,616	1,251	48,857	91,542	65,653	19,122	4,491	659	11,318	12,756	12,200	2,408	53,862	114,467	323,523	231,529	65,203	5,198	689	82	67
Average	22.5	35.0	33.5	32.1	30.7	28.2	23.8	22.6	22.9	22.4	21.8	27.0	22.0	22.1	21.9	20.6	22.0	21.0	21.0	20.6	21.0	21.1	21.3	20.0

Source: Department of Defense statistics as of Sept. 30, 1984
Chart covers only retirees who are non-disabled and non-reserve

AAFES Data on Space Productivity

Every three months, AAFES distributes space productivity reports at the Dallas headquarters. The same reports are sent to the field every six months.

This chart summarizes retail space productivity by region, and by store class. It covers fiscal year 1984. Data is currently available for every main store in the world; shoppettes and military clothing sales stores are also being added to the data base.

The reports shows average monthly sales and gross profits — by region and by class of store. It analyzes this information both in terms of sales floor space and of total store area.

AAFES sources stress that this is an operational report. The report is not designed for financial analysis; it relies heavily on accurate square-foot counts as given by store managers.

It should be noted that AAFES tracks sales and profits per square foot on a monthly basis. Retail industry practice is to compute these on an annual basis. This should be kept in mind in any attempt to compare these figures with similar civilian records.

Totals for FY84

Main stores — summary by ER/OES

No. stores.	Location	Avg. mon. sales $	Avg. mon. GP $	Sales area SF	Total area SF
27	ALER	20,133,251	3,937,535	676,850	947,473
40	CPER	2,153,471	4,060,233	770,076	1,101,020
30	GGEA	4,471,791	4,433,971	761,383	1,024,833
31	OVER	6,133,576	3,333,989	637,584	911,062
31	SEER	7,668,857	5,079,668	848,627	1,193,357
159	Total ConUS	112,558,946	20,645,396	3,694,422	5,177,745
64	Total Europe	43,946,877	9,915,905	977,682	1,551,072
19	Total Pacific	29,971,982	4,006,965	380,070	600,490
242	Grand Total AAFES	176,479,805	34,778,266	5,052,174	7,329,308

Main stores — summary by store class

No. stores.	Location	Avg. mon. sales $	Avg. mon. GP $	Sales area SF	Total area SF
	ConUS				
15	S	26,637,988	4,987,545	656,204	918,900
24	A	29,368,112	5,415,827	793,279	1,137,282
26	B	22,625,690	4,319,388	751,213	1,055,286
51	C	26,083,452	4,677,035	1,082,104	1,498,904
43	D	7,843,704	1,445,601	411,622	567,373
159		112,558,948	20,845,396	3,694,422	5,177,745
	Europe				
4	S	8,775,578	2,028,674	163,645	257,535
13	A	15,820,489	3,573,596	315,911	534,987
12	B	8,642,969	1,847,783	214,413	318,422
23	C	8,554,855	1,989,399	213,193	333,639
12	D	2,153,006	471,498	70,520	111,390
64		43,946,877	9,915,905	977,682	1,551,073
	Pacific				
5	S	10,640,737	2,203,195	200,042	309,135
2	A	2,040,074	373,385	31,267	49,749
5	B	3,673,929	722,802	80,809	113,605
4	C	2,473,707	496,710	48,753	89,490
3	D	1,143,535	220,873	19,199	38,511
19	Total Pacific	19,971,982	4,016,965	380,070	600,490

Averages for FY84

Main stores — summary by ER/OES

No. stores.	Location	Avg. sales area SF	Avg. total area SF	avg. mon. sales $	Avg. mon. sales per SF sales area $	total area $	avg. mon. GP $	Avg. mon. GP per SF sales area $	total area $
27	ALER	25,069	35,092	745,676	29.75	26.25	145,835	5.82	4.16
40	CPER	19,252	27,526	553,837	28.77	20.12	101,506	5.27	3.69
30	GGEA	25,376	34,161	15,726	32.15	23.88	149,799	5.82	4.33
31	OVER	20,569	29,389	584,954	28.44	19.90	107,548	5.23	3.66
31	SEER	27,395	38,495	892,479	32.60	23.18	163,860	5.99	4.26
159	Total ConUS	23,235	32,568	707,918	30.47	21.74	131,103	5.64	4.03
64	Total Europe	15,276	24,236	686,670	44.95	28.33	154,936	10.14	6.39
19	Total Pacific	20,004	31,605	1,051,157	52.55	33.26	211,419	10.57	6.69
242	Grand Total AAFES	20,877	30,284	729,247	34.93	24.08	143,712	6.88	4.75

Main stores — summary by store class

No. stores.	Location	Avg. sales area SF	Avg. total area SF	avg. mon. sales $	Avg. mon. sales per SF sales area $	total area $	avg. mon. GP $	Avg. mon. GP per SF sales area $	total area $
	ConUS								
15	S	43,747	61,260	1,775,866	40.59	28.95	332,503	7.60	5.43
24	A	33,053	47,386	1,223,671	39.02	25.82	225,659	6.83	4.76
26	B	28,893	40,588	870,219	30.12	21.44	166,130	5.75	4.09
51	C	21,216	29,390	511,440	24.10	17.40	91,707	4.32	3.12
43	D	9,573	13,195	182,412	19.05	13.82	33,619	3.51	2.54
159		23,235	32,564	707,918	30.47	21.74	131,103	5.64	4.03
	Europe								
4	S	40,911	63,159	2,193,895	53.62	34.73	507,169	12.39	8.03
13	A	24,311	41,153	1,216,959	50.07	29.57	274,892	11.31	6.67
12	B	17,868	26,535	720,247	40.30	27.14	156,228	8.74	5.88
23	C	9,269	14,506	371,950	40.12	25.64	85,539	9.23	5.90
12	D	5,877	9,282	179,417	30.53	19.33	39,292	6.69	4.23
64		15,276	24,236	686,670	44.95	28.33	154,936	10.14	6.39
	Pacific								
5	S	40,008	61,827	2,128,147	53.19	34.42	440,639	11.01	7.13
2	A	15,634	24,875	1,020,037	65.25	41.01	186,693	11.94	7.51
5	B	16,162	22,721	734,786	45.46	32.34	144,560	8.94	6.36
4	C	12,188	22,373	618,427	50.74	27.64	124,178	10.19	5.55
3	D	6,400	12,837	381,178	59.56	29.69	73,624	11.50	5.74
19	Total Pacific	20,004	31,605	1,051,157	52.55	33.26	211,419	10.57	6.69

SURVEY, continued from page 6

For example, a non-member exchange broker complains that, "ALA did not support broker/representatives with [the] anti-rep position taken by AAFES buyers. ALA remained neutral, in spite of this being a violation of free enterprise and [a] restriction of trade." "ALA does not seem to affect exchange policies — at any level," grumps another.

☐ **4.** Respondents tend to think that ALA is more effective with lawmakers (question 10), than with the military (question 11). Also significant is the high number of "don't know" responses to the two questions. This, and the differing responses between the political and military-oriented questions, may indicate that ALA needs to have better publicity.

Telephone followups uncovered some additional information.

ALA, says one dealer, "needs to make a stronger argument for straightening out the resale system." Adds another, "Issues are not confronted in any manner that gets any results." One member says that ALA "concerns itself with the top echelons, not the down-at-the-store level," and that " 'National' has pulled all the teeth out of the chapters." Paul Power, a former member whose Paul P. Power Associates firm represents liquor accounts to Class VI stores and clubs, wants to see more ALA input on these areas. He thinks ALA has "a marshmallow approach. They're afraid to stick their neck out. ALA *does* have a lot of clout — *if* it's used."

☐ **5.** Despite all the griping, respondents feel there is definitely a need for "a voice to Congress and the military." And, admits one long-term member, ALA executive vice president Kolbet "Schrichte has brought a lot of class to ALA. It's a helluva lot better today than it was when it was the Quartermaster Association or the Defense Supply Association." MM

A.L.A. MEMBER RESPONSES: 42

1. Does your company deal primarily with commissaries, exchanges, or both?
Commissaries - 16. Exchanges - 7. Both - 19.

2. Have you or an employee of your company ever attended any of the following:
Chapter meeting? - 33. Regional meeting - 39. National convention - 42.

3. Are you or any other person from your company planning to attend the national ALA convention in October?
Yes - 36. No - 6.

4. Traditionally, ALA conferences begin on Sunday. Should they begin on weekdays instead?
Yes - 11. No - 11. Doesn't matter - 20.

5. Are ALA convention locations convenient for people from all areas of the country to attend?
Yes - 30. No - 3. Doesn't matter - 9.

6. Does ALA membership require too much time?
Yes - 4. No - 37. No response - 1.
Does it cost too much money?
Yes - 25. No - 16. Don't know - 1.

7. Do you think ALA does a good job representing the interests of small companies?
Yes - 12. No - 25. Don't know - 5.

8. Considering the annual membership dues, expensive convention locations and other costs associated with being involved with ALA, do you think membership is a worthwhile investment?
Yes - 25. No - 12. Don't know/no response - 5.

9. Do you think that ALA equally represents the interests of both commissary and exchange suppliers?
Yes - 23. No - 14. Don't know - 5.
Who gets more attention?
Exchange suppliers - 1. Commissary suppliers - 24. Equal attention to both - 10. No response - 7.

10. Is ALA effective with the lawmakers and officials who oversee the resale systems?
Yes - 25. No - 6. Don't know - 11.

11. Is ALA effective in working out problems between industry and the military?
Yes - 17. No - 17. Don't know - 8.

12. Should ALA take a more active role in its lobbying efforts, such as establishing a political action committee (PAC)?
Yes - 24. No - 11. Don't know - 7.

13. Overall, do you think ALA has had a positive, negative or neutral effect on the military resale system?
Positive - 33. Negative - 0. Neutral - 8. Both positive and negative - 1.

NON-MEMBER RESPONSES: 28

1. Does your company deal primarily with commissaries, exchanges, or both?
Commissaries - 2. Exchanges - 17. Both - 8. No response - 1.

2. Have you or an employee of your company ever attended any of the following:
Chapter meeting? - 12. Regional meeting - 13. National convention - 18. None/no response - 7.

3. Are you or any other person from your company planning to attend the national ALA convention in October?
Yes - 3. No - 24. No response - 1.

4. Traditionally, ALA conferences begin on Sunday. Should they begin on weekdays instead?
Yes - 6. No - 6. Doesn't matter - 14. No response - 2.

5. Are ALA convention locations convenient for people from all areas of the country to attend?
Yes - 6. No - 7. Doesn't matter - 12. No response - 3.

6. Does ALA membership require too much time?
Yes - 3. No - 15. Don't know - 9. No response - 1.
Does it cost too much money?
Yes - 16. No - 4. Don't know/no response - 8.

7. Do you think ALA does a good job representing the interests of small companies?
Yes - 0. No - 20. Don't know - 7. "Yes and no" - 1.

8. Considering the annual membership dues, expensive convention locations and other costs associated with being involved with ALA, do you think membership is a worthwhile investment?
Yes - 1. No - 22. Don't know - 5.

9. Do you think that ALA equally represents the interests of both commissary and exchange suppliers?
Yes - 5. No - 18. Don't know - 5.
Who gets more attention?
Exchange suppliers - 0. Commissary suppliers - 18. Equal attention to both - 3. No response - 7.

10. Is ALA effective with the lawmakers and officials who oversee the resale systems?
Yes - 3. No - 13. Don't know - 12.

11. Is ALA effective in working out problems between industry and the military?
Yes - 3. No - 15. Don't know - 9. No response - 1.

12. Should ALA take a more active role in its lobbying efforts, such as establishing a political action committee (PAC)?
Yes - 19. No - 4. Don't know - 5.

13. Overall, do you think ALA has had a positive, negative or neutral effect on the military resale system?
Positive - 7. Negative - 0. Neutral - 18. No response - 3.

Military Market index

COMMISSARIES

		JUNE			YEAR TO DATE		
		CY'85	CY'84	% CHANGE	CY'85	CY'84	% CHANGE
	CONUS	$153,604	$158,624	-3.16%	$911,521	$909,517	0.22%
	OVERSEAS	26,973	31,295	-13.81%	174,362	179,331	-2.77%
AIR FORCE	TOTAL	**180,577**	**189,919**	**-4.92%**	**1,085,883**	**1,088,848**	**-0.27%**
	CONUS	109,200	111,825	-2.35%	639,240	634,725	0.71%
	OVERSEAS	31,185	34,335	-9.17%	186,375	197,715	-5.74%
ARMY	TOTAL	**140,385**	**146,160**	**-3.95%**	**825,615**	**832,440**	**-0.82%**
	CONUS	74,009	72,228	2.47%	382,423	366,383	4.38%
	OVERSEAS	8,365	8,640	-3.18%	42,709	42,932	-0.52%
NAVY	TOTAL	**82,374**	**80,868**	**1.86%**	**425,132**	**409,315**	**3.86%**
	CONUS	13,971	13,495	3.53%	84,563	78,498	7.73%
	OVERSEAS	261	236	10.59%	1,490	1,225	21.63%
MARINES	TOTAL	**14,232**	**13,731**	**3.65%**	**86,053**	**79,723**	**7.94%**
	CONUS	275	222	23.87%	1,568	1,402	11.84%
	OVERSEAS	360	235	53.19%	1,794	1,592	12.69%
COAST GUARD	TOTAL	**635**	**457**	**38.95%**	**3,362**	**2,994**	**12.29%**
	CONUS	$351,059	$356,394	-1.50%	$2,019,315	$1,990,525	1.45%
ALL	OVERSEAS	$67,144	$74,741	-10.16%	$406,730	$422,795	-3.80%
COMMISSARIES	TOTAL	**$418,203**	**$431,135**	**-3.00%**	**$2,426,045**	**$2,413,320**	**0.53%**
GROCERY STORES	U.S.[1]	$21.967	$21.899	0.31%	$128.130	$123.308	3.91%

EXCHANGES

		JUNE			YEAR TO DATE		
		CY'85	CY'84	% CHANGE	CY'85	CY'84	% CHANGE
	CONUS	$252,960	$249,029	1.58%	$1,387,819	$1,359,795	2.06%
	OVERSEAS	157,652	159,371	-1.08%	908,873	928,758	-2.14%
AAFES	TOTAL	**410,612**	**408,400**	**0.54%**	**2,296,692**	**2,288,553**	**0.36%**
	CONUS[2]	92,674	92,264	0.44%	513,422	509,955	0.68%
	OVERSEAS[2]	38,712	40,361	-4.09%	217,105	214,874	1.04%
NAVY	TOTAL[2]	**131,386**	**132,625**	**-0.93%**	**730,527**	**724,829**	**0.79%**
	CONUS	29,793	28,626	4.08%	168,528	163,780	2.90%
	OVERSEAS	4,918	4,786	2.76%	28,835	28,318	1.83%
MARINES	TOTAL	**34,711**	**33,412**	**3.89%**	**197,363**	**192,098**	**2.74%**
	CONUS[3]	7,096	6,504	9.10%	39,060	36,303	7.59%
	OVERSEAS[3]	529	815	-35.09%	3,038	4,531	-32.95%
COAST GUARD	TOTAL[3]	**7,625**	**7,319**	**4.18%**	**42,098**	**40,834**	**3.10%**
	CONUS[4]	1,130	1,005	12.44%	7,055	7,866	-10.31%
	OVERSEAS[4]	3,694	3,740	-1.23%	18,534	23,699	-21.79%
MAIL ORDER	TOTAL[4]	**4,824**	**4,745**	**1.66%**	**25,589**	**31,565**	**-18.93%**
	CONUS	$383,653	$377,428	1.65%	$2,115,884	$2,077,699	1.84%
	OVERSEAS	$205,505	$209,073	-1.71%	$1,176,385	$1,200,180	-1.98%
ALL EXCHANGES	TOTAL	**$589,158**	**$586,501**	**0.45%**	**$3,292,269**	**$3,277,879**	**0.44%**
DEPARTMENT STORES	U.S.[1]	$10.500	$10.478	0.21%	$57.558	$54.818	5.00%

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.